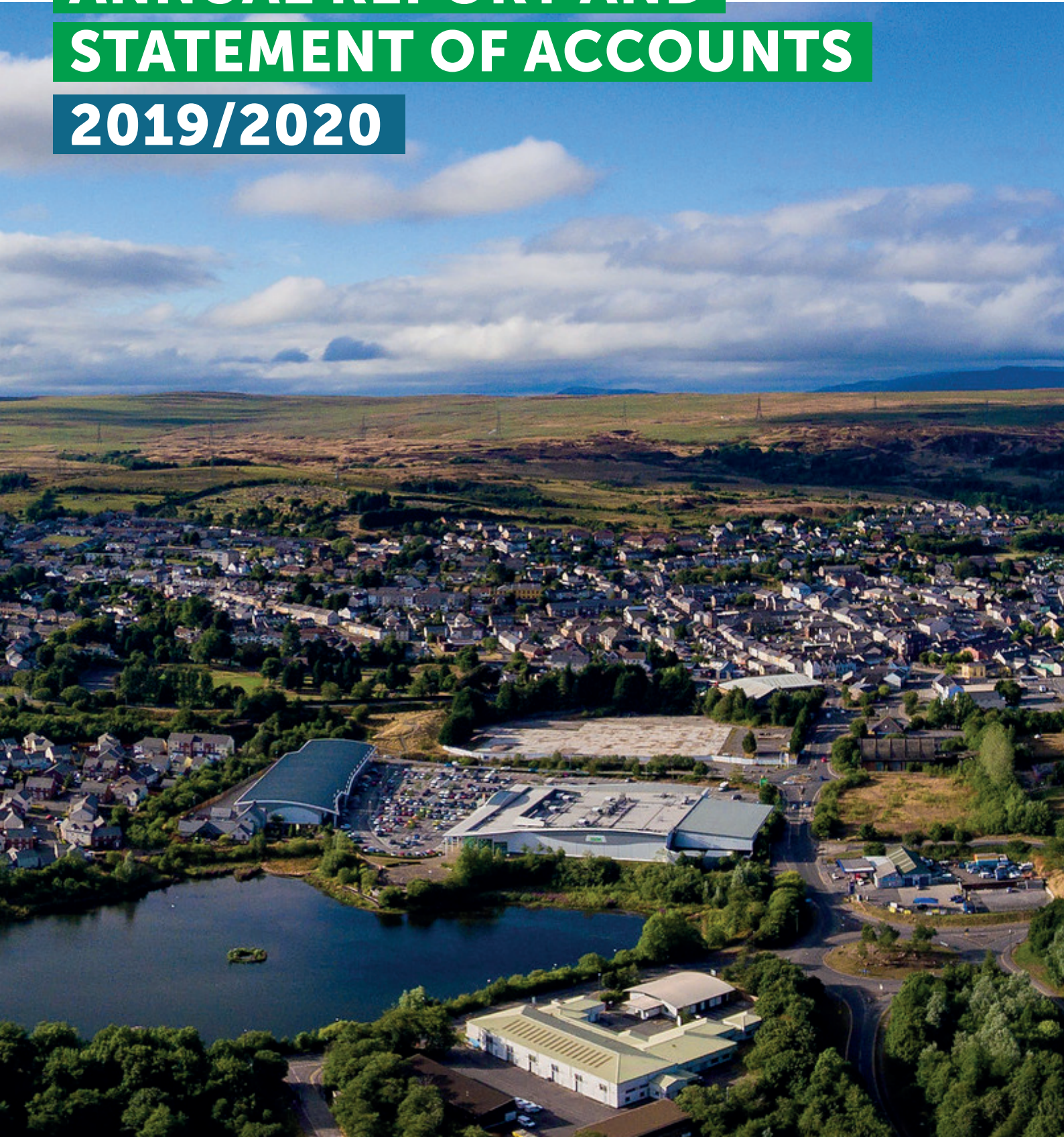




**Tai Calon**  
Community Housing

**ANNUAL REPORT AND  
STATEMENT OF ACCOUNTS  
2019/2020**



# TABLE OF CONTENTS

<b>Chair of the Board Statement</b>	<b>2</b>
<b>Chief Executive's Statement</b>	<b>4</b>
<b>Background and Socio-Economic Context</b>	<b>5</b>
<b>Our Performance 2019/20</b>	<b>6</b>
<b>Tenant Satisfaction (Star) Survey</b>	<b>10</b>
<b>What we've been up to</b>	<b>12</b>
<b>Existing and new homes</b>	<b>12</b>
<b>Environmental Improvements</b>	<b>12</b>
<b>Adaptations to Tenant's Homes</b>	<b>13</b>
<b>Fire Safety</b>	<b>14</b>
<b>Gas Safety</b>	<b>15</b>
<b>Housing Online</b>	<b>16</b>
<b>The #UP Programme</b>	<b>17</b>
<b>Building new homes</b>	<b>18</b>
<b>Risk</b>	<b>19</b>
<b>Governance and Internal Control</b>	<b>21</b>
<b>Financial Performance</b>	<b>23</b>
<b>Statement of Board Responsibilities</b>	<b>26</b>
<b>Board Members</b>	<b>27</b>
<b>Independent auditor's report</b>	<b>29</b>
<b>Financial Statements</b>	<b>31</b>

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 STATEMENT

I am pleased to present Tai Calon's Annual Report and Financial Statements for the year 1st April 2019 to 31st March 2020.

As the new Chair of Tai Calon, I am delighted to present the Financial Statements for the year ended 31st March 2020.

I would like to take the opportunity to thank the Vice-Chair of Tai Calon, Kath Howells, who with her experience and knowledge of the organisation, has been an invaluable support to me as I have settled into my role of Chair.

This year has been a period of planned change for the organisation; change that has created a new level from which the organisation can continue to thrive and do even more. For that I am thankful for all the efforts of our previous Chief Executive, Joe Logan, and the support of all our colleagues working for Tai Calon.

Fundamental to our future success is ensuring that governance is strong. To that end there have been two new Board Members appointed, Ian Hughes and Mike Santon, plus one new co-opted Board Member, Chris Jofeh. Between them they bring a variety of experiences and skills on housing associations, new homes development and decarbonisation. They have helped ensure that the mix of skills of the Board remains appropriate for our strategic needs. Those appointments followed on from the Housing Regulator's positive assessment, published in September 2019, that our Governance and Service Delivery, and Financial Viability, was rated as "standard".

Looking to the future, through the lens of a worldwide Covid-19 pandemic, the challenges we face have only become greater. However, we are already adjusting and we remain determined to deliver ever better services and support for the communities of Blaenau Gwent.

**We have made a commitment to be:**

- 1. Close to our tenants;**
- 2. A trusted partner, rooted in our communities; and**
- 3. An employer that empowers our colleagues.**

These aims are going to be enlarged and refined so we can shortly “paint a picture” of what Tai Calon will look like in 2025. A picture that will show where we will be on tenant satisfaction, our investment in tenants’ homes over the 5 years, the numbers of new homes built for the people in the county, and a high level of staff satisfaction. All that will be shaped by involving and listening to our tenants, plus our key partners.

Whilst those are aspirations for the future, I must also highlight two of the successes of the year:

- Achieving “One to Watch” status for the employers rating within the Sunday Times 100 Best Companies assessment; and
- The Customer Service Excellence Award.

In addition, Tai Calon supports the White Ribbon campaign, and is a Disabled Confident Employer.

I must also mention that 2020 marks the completion of our first 10 years of operating since the homes were transferred from the council; the next 10 years of successful delivery will

be firmly underpinned by partnership working. And a key relationship for us is the one we enjoy with Blaenau Gwent County Borough Council.

So my thanks to our partners, to my fellow Board Members, and all our involved residents and colleagues. These are the people at the heart of Tai Calon that make it a success.



**PROFESSOR SIR  
ADRIAN WEBB**  
Board Chair

A handwritten signature in black ink, appearing to read 'A C Webb', written in a cursive style.

# CHIEF EXECUTIVE'S STATEMENT

This is my first foreword to the Financial Statements, having only joined Tai Calon on 20th April 2020. On a personal level, I am very excited about being able to contribute to the differences that the organisation seeks to make within the county of Blaenau Gwent.



These financial statements outline the financial and operational results that have been delivered. This is in addition to the considerable social value gains for the local economy and community. These social value gains have come into sharp focus recently in the myriad of positive ways that my colleagues at Tai Calon have found to help those in need within the community during the Covid-19 lockdown (such as delivering food parcels, prescriptions, contacting those alone during that time etc.).

Tai Calon continues to be an anchor organisation, earning its place as the leading social housing provider in Blaenau Gwent, and working closely with the local council. Our financial position is good, our staff are proactive and our plans for the future are exciting.

The financial results show that our turnover (i.e. total income generated) was £27.0 million, with an expected deficit after borrowing costs of £3.2 million. In addition, there was a change in the pension valuation, creating a positive adjustment of £6.9 million which resulted in a retained surplus for the year of £3.7 million. That surplus will be re-invested in Blaenau Gwent in future years.

During the year we spent £12.4 million improving existing homes. There was also a modest investment of £0.7 million in developing new homes. However this is actually a significant step forward, as it flags the start to our development programme of new homes in Blaenau Gwent.

Having a good financial performance creates the platform from which we can continue to invest in our existing homes, develop as many new homes as we can, and meet the challenge of significantly increasing the satisfaction of our tenants in the landlord service we offer.

A handwritten signature in black ink, which reads "Howard Toplis". The signature is written in a cursive style with a long, sweeping underline.

**HOWARD TOPLIS**  
Chief Executive

# BACKGROUND AND SOCIO-ECONOMIC CONTEXT

Tai Calon was formed on 26th July 2010 as part of a Large Scale Voluntary Transfer from Blaenau Gwent County Borough Council.

We have 5,848 homes in management, all of which comply with the Welsh Housing Quality Standard. The majority of these homes are three bedroom houses, some of which have been adapted to make it easier for tenants to stay in their homes and improve their quality of life. We also have 341 leasehold properties.

Blaenau Gwent is home to 69,713 people, meaning that 8.2% of the population are Tai Calon tenants. That compares to 4.3% of the population in Wales being social housing tenants. Unemployment in the area was 4.7% in 2019, slightly higher than the whole of Wales at 4.3%. Average weekly earnings are £457.80, with a significant number of Blaenau Gwent's residents working outside the borough.

Universal Credit has been rolled out to 38% of the people in Blaenau Gwent, which is the same percentage as the whole of Wales. The majority of the rollout in Blaenau Gwent so far has been focused on the employment element and where households have had a natural change in circumstances.

Internet access is lower in Blaenau Gwent than the rest of Wales, which is a further problem for residents seeking to access Universal Credit. To address this, we are working hard to support our tenants through the application process, including applying online. Our Employment Training team also works with a variety of partners to provide those tenants that seek new skills that will help them to secure employment.



# OUR PERFORMANCE 2019/20

## OPERATIONAL KEY PERFORMANCE INDICATORS (KPIs)

### LETTINGS

**382**  
let in  
the year

Average cost  
per property  
of lettings =  
£32.35 vs. £53.33  
for Welsh RSLs\*

**55**  
Bungalows

**191**  
Houses

**136**  
Flats



### RENT - average cost per property to collect rent =£97.04 vs. £84.60 for Welsh RSLs\*



**99.2%**

Amount of rent collected



**1.5%**

Tenant arrears including  
some from previous years

TRIAGE  
SERVICE IN  
PLACE FOR NEW  
UNIVERSAL  
CREDIT  
CLAIMANTS

**1,653**  
TENANTS  
SUPPORTED  
WITH HELP  
AND ADVICE

### REPAIRS - average cost per property of the repair service =£438.93 vs. £496.55 for Welsh RSLs\*

**92.8%** Repairs completed on time

**98%** Repair appointments kept

**87.9%** Satisfaction with the repairs process

**2.3** Repairs per Property

AVERAGE  
DAYS TO  
COMPLETE  
REPAIRS  
**5.97**



\* All cost comparisons are from HouseMark core bench marking and relate to 2018/19, the latest year available

**EMPTY HOMES** - average cost per property of void repairs =£467.27 vs. £179.15 for Welsh RSLs\*

**75** 

Empty Homes at the end of the year

 **53**

Days average void period

**1.5%**

Income loss due to Empty Homes

 **98%**

Tenant satisfaction with let properties

\* In 2019/20 we invested considerable capital in bringing long term voids back into circulation; which incurred a one off increase in costs in this area.

**COMPLIANCE**



**99.95%**

Gas servicing completed to time

**100%** 

that received a scheduled fire risk inspection

**100%** 

homes with a valid electrical certificate less than 10 years old

 **0%**

Percentage of properties without an asbestos management survey

**100%** 

properties that received a water management risk assessment

**100%** 

of passenger lifts inspected by due date

**CUSTOMER CONTACT & COMPLAINTS**



**95% CALLS ANSWERED**

**99%**

Satisfaction with Customer Services

**70 COMPLAINTS RECEIVED** 



**COMPLIMENTS RECEIVED 51**

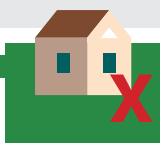
Tai Calon has an agreed set of KPI Performance Indicators (Key) that cover our operational activities in major areas such as repairs, empty homes and rent collection. We've detailed the highlights of the previous year's performance on the previous two pages. The Welsh Government also requires all Registered Social Landlords to publish a set of Value for Money KPIs, as shown below.

KEY PERFORMANCE INDICATOR	WALES SECTOR AVERAGES 2018/19	TAI CALON 2018/19	TAI CALON 2019/20 (DRAFT ACCOUNTS)
Operating costs for lettings per Social Housing unit	£3,352	£3,456	£3,980
Management costs per Social Housing unit	£1,305	£1,360	£1,539
Reactive repair costs per Social Housing unit	£1,144	£1,414	£1,445
Major repairs and component costs per Social Housing unit (Capital)	£885	£1,051	£826
Major repairs and component costs per Social Housing unit (Capital and Revenue Expenditure)	£1,231	£1,625	£1,712
Bad debts per Social Housing unit	£45	£38	£34
"Weighted average cost of capital (current year)"	4.50%	5.67%	5.74%
Free cash flow (before draw down or repayment of loans) per Social Housing unit	£510	-£153	-£540
Gross Arrears/Social Housing turnover	4.7%	1.21%	1.45%
Total rent per Social Housing unit	£5,449	£4,295	£4,519
Rental void loss per Social Housing unit	£71	£59	£70



# PERFORMANCE COMMENTARY

## EMPTY HOMES



Tai Calon strives to keep the number of empty homes as low as possible. This is because every occupied home means a person or a family who needs it has somewhere to live. In addition, our neighbourhoods are improved by having occupied homes. Finally it ensures we maximise our rental income making us more financially secure to do more in the communities where Tai Calon works.

At the 31st March 2020 there were 75 empty homes, which was above the target of 45 homes. However the positive results from the year was that the average time each home was empty was 53 days, reduced from 74 in 2018/19. This meant that the rental income we lost from empty homes was 1.54% of the total rent, exceeding, our target of 1.6%.

## COMPLIANCE, REPAIRS AND MAINTENANCE



Compliance with the relevant laws and safety regulations is a top priority for Tai Calon at all times. In compliance with those regulations, annual checks are undertaken on all the gas boilers within the homes, fire risk assessments, as well as tests on electrical systems, water supply, lifts, and the management of asbestos.



**99.95%** Gas servicing completed to time

The shortfall was due to three addresses where access was denied, two of which was because the tenants were self isolating due to Covid-19. The other inspections for fire, electrical, water management, as asbestos and passenger lifts all achieved 100% compliance.

For repairs, the actual performance was that nearly 93% were completed within the target time. Tai Calon aims to achieve 96%. The repairs service is one of the areas that has been affected by the change in working practices due to the Covid 19 pandemic.

## INCOME COLLECTION



There was strong performance on rent arrears with 99.21% of rent collected, keeping rent arrears down to 1.5%. This performance exceeded the targets of 97.8% and 2.6% respectively.

While it's great to achieve this level of performance, we are also aware that there are significant challenges to our income in the coming year. Universal Credit tends to mean higher levels of rent arrears and its rollout in Blaenau Gwent continues in 2020/21. Additionally the knock-on effect of the Covid-19 pandemic creates considerable risks to our tenant's incomes. Tai Calon does its utmost to ensure tenants are supported through the Universal Credit application process, with on-going support at the time of the writing this report, to help with the implications of Covid-19.

## CUSTOMER CONTACT AND COMPLAINTS



During the year ended 31st March 2020, Tai Calon received 70 complaints, of which 40 were upheld. The main area of complaints being repairs and maintenance. However it is pleasing to be able to report that this represents a reduction on the previous year when 96 complaints were received. Whilst it is encouraging to see this reduction, Tai Calon welcomes complaints as each one provides excellent feedback on where services can be improved. There was also 51 compliments received, which was the same number as the previous year.

There were nearly 73,000 calls Tai Calon during the year, of which 95.4% were answered on time. This exceeded our target of 95%. Tenant satisfaction with Customer Services was also above target at 98.6%.



# TENANT SATISFACTION (STAR) SURVEY

Housing Associations like Tai Calon use the survey to understand in which areas we are doing well, and where we need to improve. We also use the results to compare ourselves to other housing associations in Wales as they ask a number of the same questions.



# 75%

**OF TENANTS  
are satisfied with  
our overall service.**

which shows a 1% increase on the  
previous year

## OUR TEAM:

**86%** said we had friendly and approachable staff

**83%** said our staff were helpful

**77%** were satisfied with how their enquiry was dealt with

**71%** found it easy to get hold of the right person

Overall tenant satisfaction is 75%, which shows a 1% increase on the previous year. That small increase is due to three key areas:

- improvements in the standard of customer service that tenants receive when they contact Tai Calon;
- positive enhancements in the ways of making repair appointments; and
- improved perceptions by tenants in the way that the organisation deals with anti-social behaviour.

That said there is still a lot to do given that the benchmarked level from other housing associations in Wales shows overall satisfaction at 85%. Consequently, improving overall tenant satisfaction becomes a key focus for all of us at Tai Calon. That will mean the continued focus on the areas of improvement, plus also to seek to improve satisfaction in the areas of tenants satisfaction with their home (currently 71% satisfaction), the perception of value for money of the rent (currently 73% satisfaction) and listening to views (currently 61% satisfaction).

# REPAIRS

**93%** of tenants were satisfied with the attitude of the tradesperson

**89%** were satisfied we kept dirt and mess to a minimum

**87%** were satisfied with speed of completion

**87%** were happy we did the job that was expected



**85%**

we were satisfied with the overall quality of the repair work

# INTERNET USE



**64%** of tenants use the internet

**22%** had used Tai Calon's website in the last year

Most younger people used the internet, but only a third of over 65's

Around half of the sample would consider booking a repair online if that service was available.

**38%** weren't confident in applying for benefits online

**WE WELCOME COMPLAINTS AS OPPORTUNITIES TO IMPROVE THE SERVICES WE PROVIDE. HERE'S HOW OUR TENANTS RATED THEIR SATISFACTION WITH KEY SERVICES:**

**71%** overall quality of the home

**73%** value for money for rent

**78%** neighbourhood as a place to live

# WHAT WE'VE BEEN UP TO

## EXISTING AND NEW HOMES

Effective asset management of tenants' homes remains a corporate priority. In addition, building new homes to meet the needs of current and future generations is also now a priority. The Board has approved the first scheme of 23 new thermally efficient homes in Ebbw Vale which is supported by Welsh Government Social Housing Grant. Working closely with our strategic partner, Blaenau Gwent Borough County Council, and the Welsh Government, a further new build development scheme is progressing through the design and planning stage to deliver a further 10 to 15 new homes. Another six sites are also undergoing due diligence and feasibility.

The Sustainable Asset Management Approach continues to be used when assessing the future of homes as they become empty, informing Executive and Board decisions on investment or disposal.

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 £9.4 million in homes and communities between April 2019 and March 2020 as well as indicative medium term investment of £23.8 million between April 2020 and March 2023. The future medium term Investment Programme is subject to annual review and approval by the Tai Calon Board.

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

- Improvements to estates and the surrounding environments e.g. open spaces, roads, car parks and drains
- Improvements to gardens and their boundaries e.g. paths, walls, fences and gates
- External maintenance 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 five years will be completed in 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.

## ENVIRONMENTAL IMPROVEMENTS

During the year we focused our environmental improvements in the two areas of Cefn Golau and Peacehaven, to make sure that our gardens, boundaries, steps and walls are brought up to the Welsh Housing Quality Standard. The first focus was to make sure that the areas became safe and secure, and that all hazards were removed from the gardens adhering to the Housing Health and Rating System.

Tai Calon completed works in Cefn Golau in January 2020 before moving on to Peacehaven in Tredegar where the work was delayed due to measures to safeguard the team and tenants during the Covid-19 pandemic.

This year Tai Calon removed a 500 tonnes of waste from Cefn Golau and installed approximately 2,438 linear metres of fencing in Peacehaven.

Tai Calon worked in partnership with Blaenau Gwent Council providing fly tipping collection services and collected approximately 75 tonnes of fly tipped waste.

During the Covid-19 pandemic, we collected and delivered food across the Blaenau Gwent Borough for the foodbanks providing a key service to people in need.

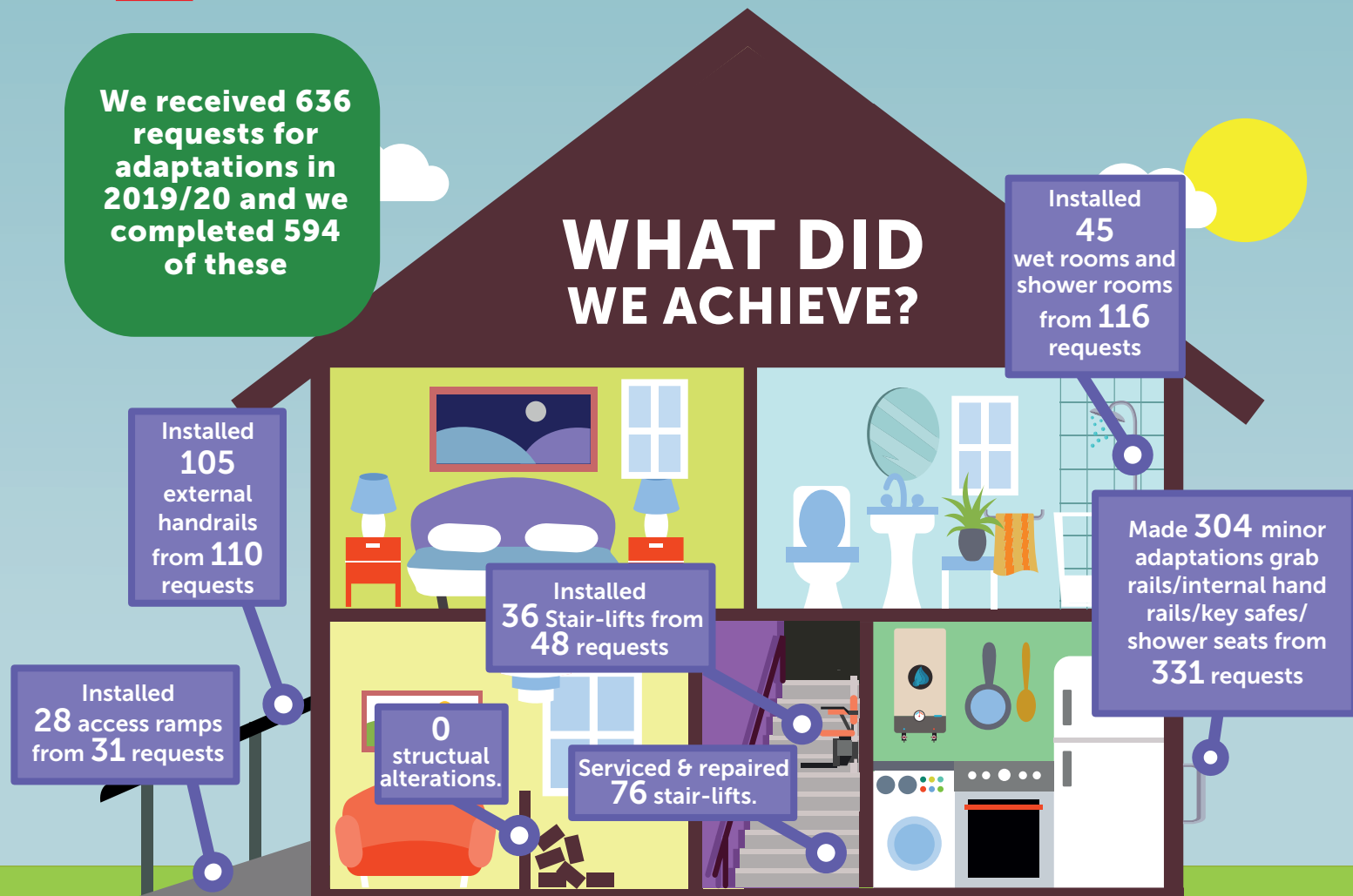
Around 450 families benefitted from this effort, bringing food and toiletries to almost 1,000 people including around 350 children.

Tai Calon will be delivering the Environmental Improvement Programme through Ashvale during 2020/21.

## ADAPTATION TO TENANTS HOMES

**We received 636 requests for adaptations in 2019/20 and we completed 594 of these**

### WHAT DID WE ACHIEVE?

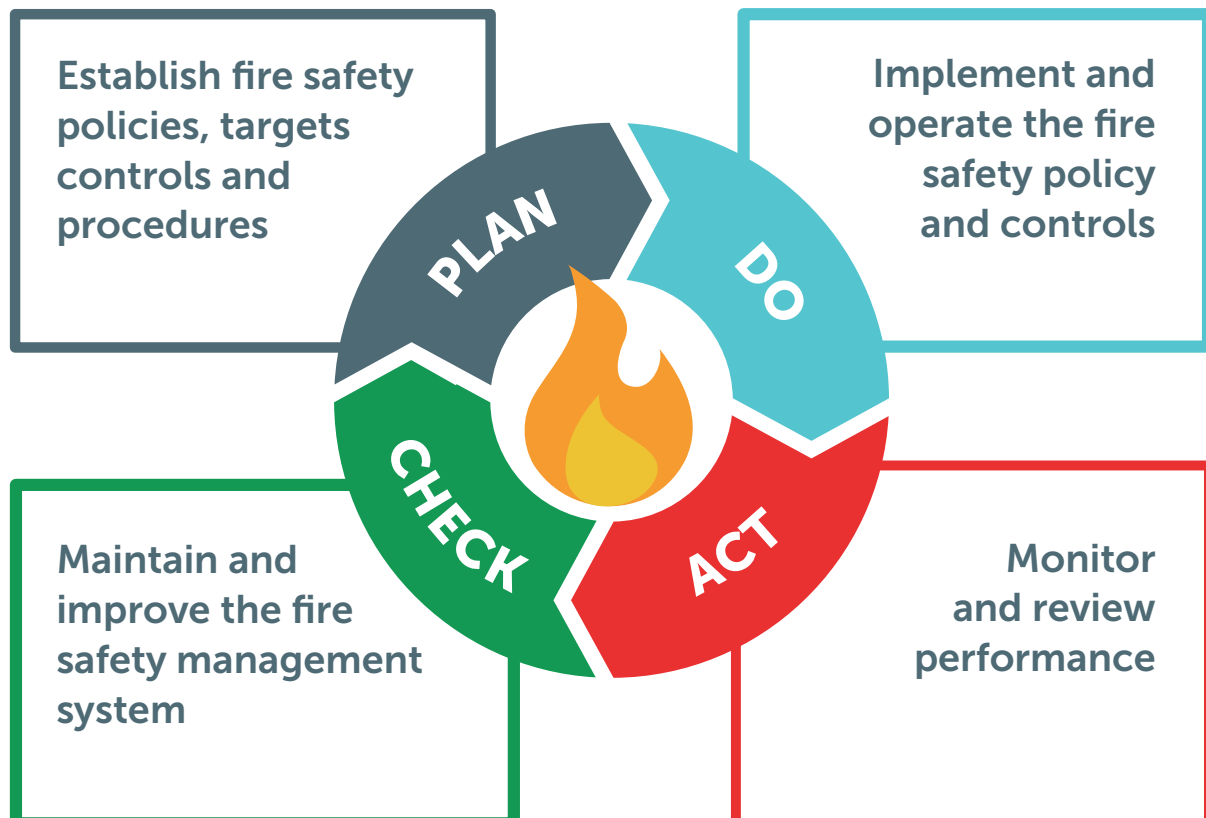


## FIRE SAFETY

With the ongoing inquiry into the Grenfell disaster, there are constant reminders of the importance of fire safety. Compliance with all areas of landlord health and safety receives close and on-going scrutiny by the Board of Tai Calon, ensuring sufficient assurance is in place. There are many measures on fire safety that we take but key ones are to ensure that all relevant staff are regularly trained in fire safety procedures, and all applicable areas are regularly inspected. During the year, 54 fire risk assessments were completed, which was in line with the annual or three yearly assessment schedules. Any hazards identified were either resolved or programmed for completion (any outstanding actions are placed on a re-inspection cycle).

We manage fire safety, through the “Plan, Do, Check, Act” cycle, which is an established method of control and continuous improvement used in many industries. (See below)

Tai Calon works with the Fire Safety consultant and their fire risk assessor to provide guidance and verification for matters associated with Fire Safety including ongoing fire certification. In addition, South Wales Fire and Rescue Service carried out inspections of all the Sheltered Schemes, with no issues reported.



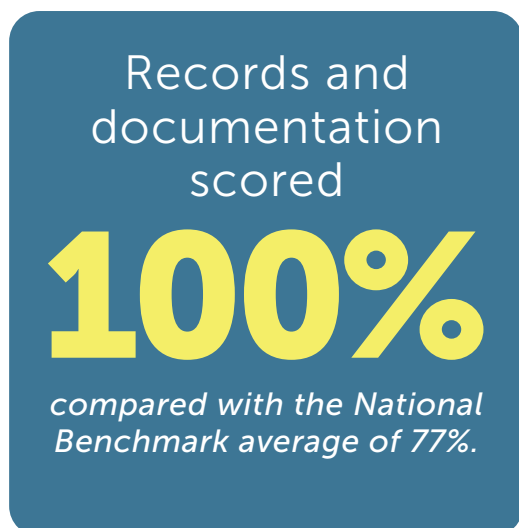
## GAS SAFETY

---

Corgi Technical Services Ltd completed a Gas Audit September 2019. The Gas Audit report includes the CORGI National Benchmark of similar organisations to help assess our performance against the industry standard. There are 2 benchmarking KPI's:

1. The correct completion of work ensuring compliance with manufacturer's instructions and Gas Safety (installation and use) Regulations (GSR) 26(9)
2. The correct completion of the Landlords Gas Safety Records (LGSR) ensuring compliance with GSR 36(3c).

Documentation / Landlords Gas Safety Records (LGSR's);



# HOUSING ONLINE

Tai Calon has been working to develop a digital option to allow tenants to contact us via their smartphones or laptops.

In Autumn 2020 we will be launching Housing Online. This is an optional digital service that will allow tenants to view and print out their rent statements. In 2021 Housing Online will be updated so tenants can:

- **Book repairs online anytime of the day or night**
- **Choose the repairs slot they would like on a convenient date and time**

A pilot exercise for Housing Online took place in January 2020. The tenants who tested this new option liked using the system, with nearly 90% of respondents finding it easy to use. We are grateful for their feedback and their help in improving this new service before it is launched.

Housing Online is designed to be a complementary optional service alongside our other communication channels. It supports Tai Calon's strategy of being easy to do business with and being 'Digital by Choice' so tenants can contact us in the way they want to.

There will be additional features to Housing Online as the system develops and in line with what our tenants want.





# THE #UP PROGRAMME

Tai Calon has started a transformation programme designed to put tenants at the heart of everything we do, and to ensure that our services are provided efficiently, effectively and in a way that designs them around our tenants' needs.

The #UP Programme (Unlocking our Potential) The key principles of the #UP Programme are below:

**1** UNLOCKING OUR POTENTIAL

**2** BUILDING ON OUR STRENGTHS

**3** ENABLING US TO DO MORE

**4** DIGITAL THROUGH CHOICE

**5** SIMPLE BY DESIGN

## Some of the benefits that the programme will bring are:

- Being more consistent with tenants - by implementing a Customer Relationship Management system that provides a single view of customer contact.
- Getting it Right First Time more often – We will be able to improve our van stock, keeping costs under control and having more opportunity to complete repairs at the first visit.
- A 24/7 service – by deploying an online tenant portal so that those tenants who choose to do so can request a repair, view their rent statement or access other services at any time.

More communications on specific parts of the programme will be provided to tenants through our newsletter and other communication channels as they are deployed.

# BUILDING NEW HOMES

The year 2020/21 is an exciting year for Tai Calon, as it embarks on a building programme, delivering much needed new homes for Blaenau Gwent.

The first project in the development programme is Glanffrwd Court, a £4.3 million investment by Tai Calon. When the existing building was assessed it was clear that it required significant investment to be brought up to modern standards, including work to the hot water, electrics and fire safety systems. It made more sense to demolish the building and replace it with more modern housing that meets the needs of the local community. The plan is to build 23 houses, flats and bungalows in its place. Demolition is completed as well as ground stabilisation at the site and building work commenced in the summer of 2020. These homes are an efficient use of the land available, and the various sizes selected have been designed to address the needs of the local housing area. It also supports the aims of Tai Calon's Asset Management Strategy, to "deliver a housing, land and property portfolio that meets the needs of current and future generations".



Site elevation A-A



Site elevation B-B

# RISK

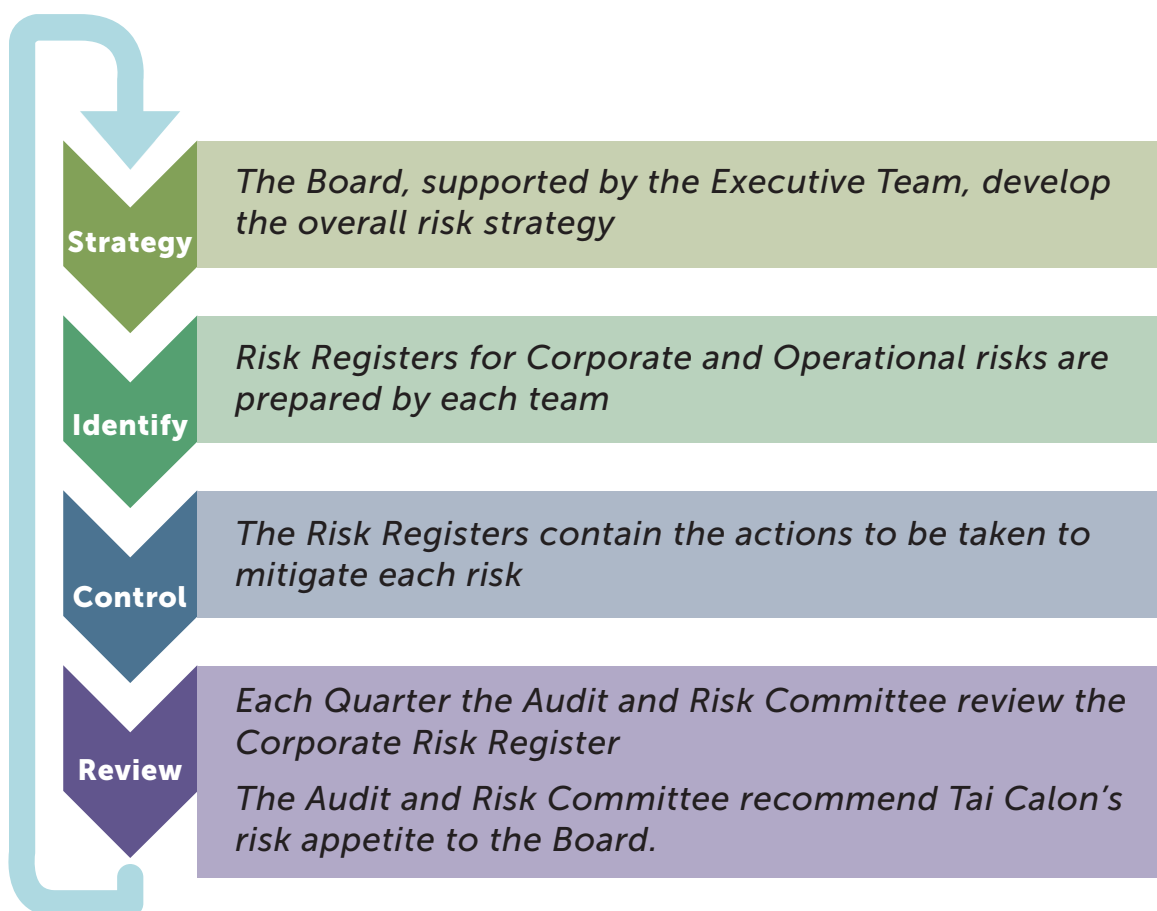
Like any organisation, Tai Calon faces risks and uncertainties as part of its daily operations.































Like any organisation, Tai Calon faces risks and uncertainties as part of its daily operations. Ensuring that these risks are identified, considered and then mitigated is important to Tai Calon. The Welsh Government, as our Regulator, expects that the Board has a thorough understanding of the risks facing Tai Calon and to be confident that those risks are being managed effectively.

Good management of risk has other benefits to Tai Calon. Following the risk

management process makes Tai Calon consider its strengths and weaknesses as an organisation and to develop actions improve. Risk management also helps to ensure that Tai Calon has a good understanding of its business model, and operating environment.

Tai Calon has a risk management process, as shown graphically below. The the major risks that Tai Calon faces, together with the actions to reduce them, are shown on the following page.



Graphic	Risk	Inherent Risk Grading	Residual Risk Grading	Residual Risk Grading
	Employees, tenants, contractors and the general public are not kept safe		Health and safety has a high profile with the Board – both strategy and monitoring, with the three levels of assurance. Regular Board and officers training to remain up-to-date	
	Non compliance with the regulatory requirements		Regular Board and officers training to remain up-to-date. Regular engagement with Welsh Government - Regulation. Ad hoc advice sought as appropriate.	
	Major fraud or data security breach		Culture. Range of controls. Audit and Risk Committee review and internal audit. Use of IT penetration tests.	
	Errors with financial assumptions and long term financial plans		Financial plan extensively stress tested. Independent advice on assumptions. All costs are closely monitored for variances	
	Welsh Government changes to rent policy		Prudent approach to rent setting over the long term. Stress testing.	
	Unable to maintain homes to the expected standards		Regular reviews of asset management strategy. Data on asset management is accurate and externally validated. Comprehensive appraisal process for investment decisions	
	Welfare reform negatively impacts tenants		Wide range of measures to alleviate welfare reform impact. Robust internal controls and monitoring. Close supportive working with tenants	
	Service delivery improvements are not implemented due to poor data		Service standards are in place for a number of key services. Service First Charter sets standards for customer service. #UP Programme transforming data systems and processes, designed for tenant needs.	
	Negative BREXIT impacts on the organisation and /or tenant		Comprehensive assessment and mitigations of BREXIT risks, supported by external advice. Assessed suppliers readiness for BREXIT.	
	Negative Covid-19 pandemic impacts on the organisation		Regular short term cash-flow forecasts to assess financial liquidity. Effective services to tenants/communities has continued. Worked closely with Community Housing Cymru, the Regulator and the Blaenau Gwent Emergency Response Team to mitigate the impact	

# GOVERNANCE AND INTERNAL CONTROL

Tai Calon is governed by the Board and tenant shareholding members and managed on a day to day basis 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 613.

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
- Two 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, in addition Board Members also attend committees, working groups and away days as required. A Board 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 Code of Governance published by Community Housing Cymru and annually review our compliance with the Code of Governance. The Audit and Risk 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 2019/20 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 2019/20 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 2019/20 Gender Pay Gap Report in March 2020 and will continue to work to develop our policies and procedures in a way that encourages inclusion and a fair and diverse work environment.

The Audit and Risk 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 2020 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 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, the Board is 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.

# FINANCIAL PERFORMANCE

---



# FINANCIAL PERFORMANCE

The 2019/20 financial statements are prepared under Financial Reporting Standard (FRS102) accounting standard and Housing Statement of Recommended Practice (SORP 2018).

The financial result for the year ending 31st March 2020 is a surplus of £3.775 million compared to the previous year's deficit of £7.051 million. The change was mainly driven by the changes in pension past service deficit contributions during the year.

The pension deficit for the year ending 31st March 2020 stands at £14.144 million and has decreased by £5.125 million as recognised in the Statement of Comprehensive Income.

The financial statements also include a Statement of Cash Flow 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.

## 2019/20 Financial Statement – Results Summary Statement of Comprehensive Income

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000	Movement £'000
Turnover	27,044	25,649	1,395
Operating Expenditure	(27,661)	(25,238)	(2,423)
Surplus on disposal of property, plant and equipment	1,578	1,226	352
<b>Operating Surplus / (Deficit)</b>	<b>961</b>	<b>1,637</b>	<b>(676)</b>
Net Interest	(4,152)	(4,104)	(48)
Pension Deficit Adjustment	6,966	(4,584)	11,550
<b>Net Surplus / (Deficit) on Comprehensive Income for the Year</b>	<b>3,775</b>	<b>(7,051)</b>	<b>10,826</b>

Turnover has increased by 5.44% from £25.649 million to £27.044 million which has mainly been driven by the increase in rents as set out in Welsh Government rent policy and changes to property numbers. Our operating surplus is £961,000 which is £676,000 lower than in 2018/19. Due to updates to FRS102, operating surplus now includes the surplus on disposal of property, plant and equipment.

The net cost of borrowing was £4.152 million, a slight increase on the previous year mainly due to marginal increases in interest rates. This reflects the efficient management of Tai Calon's cash resources during the year with our total borrowings remaining unchanged at £72.5 million at the year end.

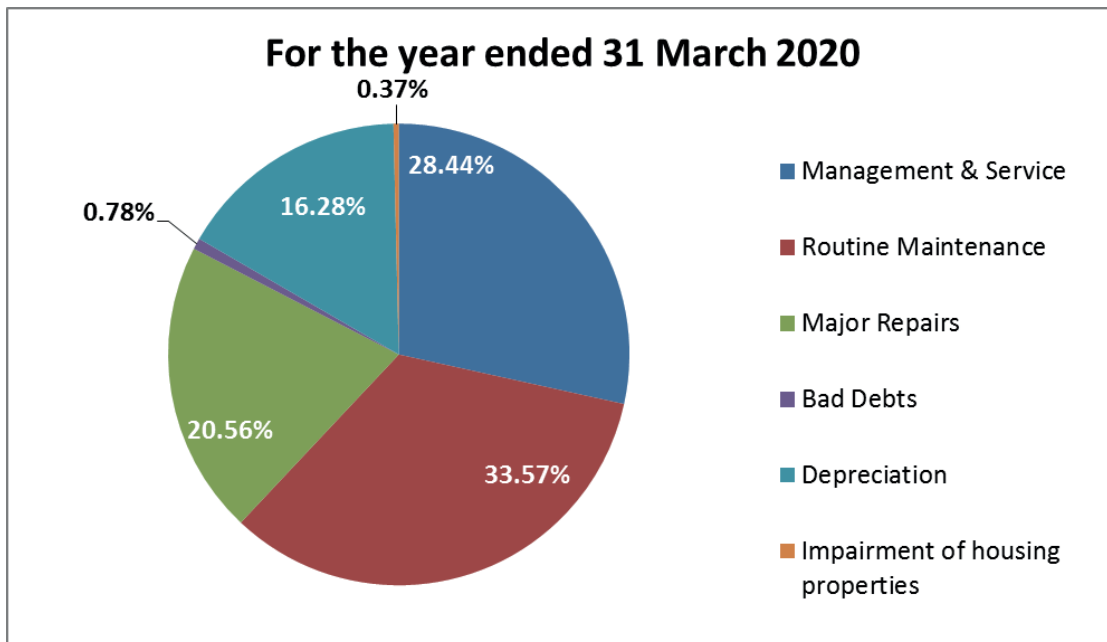
As at 31st March 2020, the Association had £32.5 million of unutilised funding facility that, subject to annual covenants, it could draw upon alongside cash at the bank and in hand totalling £1.819 million. Our debt ratio was 24% at variable and 76% at fixed interest rates which is compliant with our 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 2020/21 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 a Standard which confirms that we meet viability requirements and have the financial capacity to deal with scenarios appropriately.

### Analysis of Operating Expenditure 2019/20



# 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 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 2018 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, 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:**



Professor Sir Adrian Webb, Chair of the Board  
20 July 2020



# ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2020

## 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 31st March 2020, 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 page 23, 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.



Bevan Buckland LLP  
Chartered Accountants & Statutory Auditors  
Langdon House  
Langdon Road  
Swansea  
SA1 8QY

Date: 29 July 2020

# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAI CALON COMMUNITY HOUSING UNDER THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014

We have audited the financial statements of Tai Calon Community Housing for the year ended 31 March 2020 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 2020 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.

### Basis for Opinion

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

in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

### Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is 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 27), 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 is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either 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 LLP  
Chartered Accountants & Statutory Auditors  
Langdon House  
Langdon Road  
Swansea  
SA1 8QY

# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH 2020

	Notes	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Turnover	3	27,044	25,649
Operating costs	3	(27,661)	(25,238)
Surplus on disposal of property, plant and equipment	6	1,578	1,226
<b>Operating Surplus / (Deficit)</b>		<b>961</b>	<b>1,637</b>
Interest receivable		6	5
Interest payable and similar charges	12	(4,158)	(4,109)
<b>Deficit on ordinary activities before taxation</b>		<b>(3,191)</b>	<b>(2,467)</b>
Taxation		-	-
<b>Deficit for the year after tax</b>		<b>(3,191)</b>	<b>(2,467)</b>
Changes in pension past service deficit contribution liability on revaluation		6,966	(4,584)
<b>Total Comprehensive income for the year</b>		<b>3,775</b>	<b>(7,051)</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 above.

## STATEMENT OF CHANGES IN RESERVE

<b>For the year ended 31<sup>st</sup> March 2020</b>	<b>Income &amp; Expenditure Reserve £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Total Reserve £'000</b>
At 1 <sup>st</sup> April 2019	(26,810)	47,459	20,649
Surplus from Comprehensive Income	3,775	0	3,775
Transfer from Revaluation Reserve	766	(766)	0
<b>At 31<sup>st</sup> March 2020</b>	<b>(22,269)</b>	<b>46,693</b>	<b>24,424</b>




## STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2020

	Notes	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
<b>NON-CURRENT ASSETS / FIXED ASSETS</b>			
<b>Property, Plant &amp; Equipment</b>			
Social Housing properties	13	128,953	126,137
Other Property, Plant & Equipment	13	11	12
Other Fixed Assets	14	1,466	1,552
		<b>130,430</b>	<b>127,701</b>
<b>Current assets</b>			
<b>Debtors</b>			
Amounts falling due within one year	16	15,557	13,785
Amounts falling due after one year	17	33,759	41,852
Cash at bank and in hand		1,819	2,529
		<b>51,135</b>	<b>58,166</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	(32,435)	(30,711)
Social Housing Grant and Other Grants: amounts falling due within one year	15	(872)	(804)
		<b>17,828</b>	<b>26,651</b>
LGPS pension liability	24	(14,144)	(19,269)
		<b>134,114</b>	<b>135,083</b>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	19	(87,753)	(95,794)
Social Housing Grant and Other Grants: amounts falling due after one year	15	(21,936)	(18,639)
		<b>24,425</b>	<b>20,650</b>
<b>Total net assets</b>			
<b>Capital and reserves</b>			
Share capital	20	1	1
Income & Expenditure Reserve		(22,269)	(26,810)
Revaluation Reserve		46,693	47,459
		<b>24,425</b>	<b>20,650</b>
<b>Total capital and reserves</b>			

The financial statements were approved by the Board of Management on 20 July 2020 and signed on its behalf by:

  
Professor Sir Adrian Webb  
Chair

  
K Howells  
Vice Chair

  
M Price  
Secretary

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2020

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
<b>Operating Surplus / (Deficit)</b>	<b>961</b>	<b>1,637</b>
<b>Adjustments for non cash items</b>		
Depreciation of tangible fixed assets	4,195	4,055
Impairment of tangible fixed assets	93	665
Government grants utilised in the year	(704)	(636)
<b>Working capital movements</b>		
(Increase) / decrease in debtors	5,771	14,706
Decrease/ (increase) in operating creditors	(6,312)	(15,055)
(Decrease) / increase in provisions	43	137
Decrease / (increase) in stock	455	(351)
Pension deficit cash contributions paid	1,841	1,262
<b>Net cash generated from operating activities</b>	<b>6,343</b>	<b>6,420</b>
Interest received	6	5
Interest paid	(4,168)	(4,106)
Prepaid loan fees	52	52
<b>Adjustment for reinvesting in existing activities:</b>		
Purchase of other fixed assets	(56)	0
Component replacement	(7,087)	(5,557)
<b>Free cash generated / (consumed) before loan repayments</b>	<b>(4,910)</b>	<b>(3,186)</b>
Loans repaid	(9,750)	(10,000)
<b>Free cash generated / (consumed) after loan repayments</b>	<b>(14,660)</b>	<b>(13,186)</b>
<b>Cash flow from investing activities</b>		
Grants received	4,200	4,200
<b>Cash flow from financing activities</b>		
New secured loans and drawdowns from existing revolving credit facilities	9,750	10,000
Net (decrease) / increase in cash and cash equivalents	(710)	1,014
Cash and cash equivalents at the beginning of the year	2,529	1,515
Cash and cash equivalents at the end of the year	1,819	2,529

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

	For the year ended 31 March 2020 £`000	For the year ended 31 March 2019 £`000
(Decrease)/increase in cash and cash equivalents	(710)	1,014
(Increase) in loans	0	0
(Increase)/Decrease in net debt	(710)	1,014
Net debt as at 1st April	(69,971)	(70,985)
<b>Net debt at 31st March</b>	<b>(70,681)</b>	<b>(69,971)</b>

<b>c. Analysis of net debt</b>	Cash at bank and in hand £`000	Loans £'000	Changes in net debt £'000
At 1 <sup>st</sup> April 2019	2,529	72,500	(69,971)
Net cash flows	(710)	0	(710)
At 31 <sup>st</sup> March 2020	1,819	72,500	(70,681)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

### 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 2018 (Housing SORP 2018, 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 2018

Tai Calon has adopted the Housing SORP 2018 and, as appropriate, Financial Reporting Standard 102 ("FRS102"). Tai Calon is classed as a public benefit entity under FRS102.

In 2018 the Housing SORP was updated resulting in changes to the disclosure of surplus on disposal of property, plant and equipment which is now included within operating surplus (deficit).

## Turnover

Turnover represents rental and other income receivable 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 that transferred from Blaenau Gwent County Borough Council are restated on a deemed historic cost basis for freehold land and buildings. Housing Properties are then depreciated with the exception of freehold land which is held as a separate fixed asset. Historic cost for capital works undertaken since the point of transfer is included at historic cost less depreciation.

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.

## Housing Properties - New Developments

New development Housing Properties are stated at cost less depreciation. The cost of a housing property comprises its construction or purchase price and any costs, fees or works directly attributable to bringing it into working condition for its intended use.

In addition, directly attributable costs of the Association's staff arising directly from the construction, or acquisition of the property, and the incremental costs of the Association are capitalised where they relate to expenditure that would not have been incurred if the Association did not have an ongoing development programme. Detailed analysis of staff development activity is used as a basis of determining the amount of staff cost capitalised.

The building and components depreciable amount is written off over the estimated useful lives as stated in the depreciation policy.

## 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) 2018 "Accounting by Registered Social Landlords". A revaluation was completed in 2014, as a result depreciation discharged on deemed cost. Freehold land is not depreciated.

In line with FRS102 grant is accounted for separately on the face on 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:

	<b>Houses</b>
New build properties	100 years
Acquisition / refurbishments	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:

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

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

<b>Office refurbishment</b>	10 years
<b>Office &amp; I.T. equipment</b>	5 years
<b>Vehicles and equipment</b>	5 years
<b>Head Office</b>	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 2022 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 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 2018 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:

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.

McCloud – an estimate McCloud judgement allowance has been added to the formal valuation results so the impact is included within the accounting balance sheet at 31 March 2020.

In July 2018 the LGPS was closed to new entrants; a Defined Contribution Pension Scheme with the Peoples Pension Trust has been put in place for new entrants. The amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs is the contributions payable in the year.



## 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 31st 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.

### 3. Turnover, operating costs and deficit

	Year Ended 31 <sup>st</sup> March 2020			Year ended 31 <sup>st</sup> March 2019		
	Turnover £'000	Operating Costs £'000	Operating Surplus / (Deficit) £'000	Turnover £'000	Operating Costs £'000	Operating Surplus / (Deficit) £'000
<b>Social Housing Lettings</b>						
General needs housing	26,425	27,471	(1,046)	25,304	25,035	269
<b>Fully rented housing accommodation</b>	<b>26,425</b>	<b>27,471</b>	<b>(1,046)</b>	<b>25,304</b>	<b>25,035</b>	<b>269</b>
Garages	39	0	39	37	0	37
Other activities	580	190	390	308	203	105
<b>Total</b>	<b>27,044</b>	<b>27,661</b>	<b>(617)</b>	<b>25,649</b>	<b>25,238</b>	<b>411</b>

### 4. Turnover from lettings

	For the year ended 31 <sup>st</sup> March 2020	For the year ended 31 <sup>st</sup> March 2019
	£'000	£'000
<b>General Needs and Sheltered Housing</b>		
Rents receivable	25,139	24,109
Service charges receivable	478	463
Income for Support Services	89	82
Amortisation of Social Housing Grant & Other Government Grants	704	636
Other Revenue Grants	15	14
<b>Turnover from Social Housing Lettings</b>	<b>26,425</b>	<b>25,304</b>

## 5. Operating costs from lettings

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
<b>General needs housing</b>		
Management costs	7,159	6,752
Service Charge Costs	651	633
Routine Maintenance	8,449	8,331
Major Repairs Expenditure	5,175	3,382
Bad Debts	196	223
Depreciation of housing properties	3,907	3,787
Impairment of housing properties	93	665
LGPS Income & Expenditure Charge	1,841	1,262
	<hr/>	<hr/>
<b>Operating costs on social housing activities</b>	<b>27,471</b>	<b>25,035</b>
<b>Operating Surplus / (Deficit) on social housing lettings</b>	<b>(1,046)</b>	<b>269</b>
	<hr/>	<hr/>
Rent losses due to voids (memorandum note)	412	350
	<hr/>	<hr/>

## 6. Surplus on sale of fixed assets

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Sale proceeds	2,392	1,865
Cost of sales	(814)	(639)
	<hr/>	<hr/>
Surplus on disposal	1,578	1,226
	<hr/>	<hr/>

During the year Tai Calon sold 39 properties under the Right to Buy and 5 through Open Market Sale.. Increase from the previous year due to the Welsh Government's decision to cease the Right To Buy in January 2019. As at the end of March 2020 there are 6 remaining Right to Buy applications.

## 7. Impairment

Asset and Depreciation impairments totalling £144,049 are reflected in the accounts in notes 13 and 15 relating to write off of components.

## 8. Operating deficit for the year

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Operating Surplus / (Deficit) for the year is stated after charging:		
Depreciation	4,195	4,055
Amortisation	704	636
Operating leases – Other	378	353
Bad Debts	196	224
Auditor's remuneration (inclusive of VAT):		
in their capacity as auditors	15	14
	<hr/>	<hr/>

## 9. Board members and senior executives emoluments

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

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Emoluments (including pension contributions and benefits in kind)*	408	368
Emoluments (excluding pension contributions) paid to the highest paid senior executive	114	112
	<hr/>	<hr/>

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 £23,402. Tai Calon does not make any further contribution to any individual pension arrangement for the Chief Executive.

The emoluments of senior executives, excluding pension contributions, were in the following ranges:

	2020 No.	2019 No.
£nil	0	0
<b>£1 - £50,000</b>	<b>17</b>	<b>13</b>
£50,001 - £60,000	0	0
<b>£60,001 - £70,000</b>	<b>1</b>	0
£70,001 - £80,000	1	2
<b>£80,001 - £90,000</b>	<b>0</b>	<b>1</b>
£90,001 - £100,000	0	0
<b>£100,001 - £110,000</b>	<b>0</b>	<b>0</b>
£110,001 - £120,000	1	1
<b>£120,001 - £130,000</b>	<b>0</b>	<b>0</b>

In September 2018 the Board approved the remuneration of Board members. The emoluments including expenses of non-executive Board Members were as follows:

	For the year ended 31 <sup>st</sup> March 2020 £	For the year ended 31 <sup>st</sup> March 2019 £
Prof Sir Adrian Webb (Chair)	7,502	-
Dr Norma Barry (Chair - Resigned)	6,685	6,608
Katherine Howells (Vice Chair & Chair of Operations Ctte)	8,452	4,389
Fred Davies (Resigned)	4,229	4,853
Michael Rose	5,488	3,172
Mark Perry (Resigned)	965	2,606
Kelly Reynolds	5,000	2,606
Vicki Browning (Chair of Remuneration Committee)	5,737	2,683
Stewart Healy (Resigned)	549	2,625
Stephanie Al- Wahid (Resigned)	2,215	2,606
Andrea Teague	5,000	2,654
Ross Maude	5,000	2,606
Neil Harries (Chair of Audit & Risk Committee)	7,038	3,020
Malcolm Day	5,000	1,845
Mandy Moore	4,272	
Christopher Jofeh	3,172	-
Ian Hughes	3,474	-
Mike Santon	3,143	-
<b>Total</b>	<b>81,921</b>	<b>42,273</b>

## 10. Employee and employer costs

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Staff costs during the year:		
Wages and Salaries	7,248	6,782
Social security costs	672	637
Other pension costs	3,122	2,523
	<b>11,042</b>	<b>9,942</b>
	For the year ended 31 <sup>st</sup> March 2020 No.	For the year ended 31 <sup>st</sup> March 2019 No.
Average number of full time equivalent employees during the year:		
Management and administration	136	134
Wardens, caretakers and cleaners	14	14
Housing repair service	103	104
	<b>253</b>	<b>252</b>

## 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

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Interest payable and similar charges	4,158	4,109

### 13. Property, Plant & Equipment – Housing Land & Buildings

	Social Housing properties held for letting £'000	Housing properties in the course of construction £`000	Other Property, Plant & Equipment £'000
<b>Cost</b>			
As at 1 <sup>st</sup> April 2019	146,278		13
Additions during the year	7,243	663	0
Transfer on completion			
Impairments during the year – components	(144)		0
Disposals during the year	(1,104)		0
<b>At 31<sup>st</sup> March 2020</b>	<b>152,273</b>	<b>663</b>	<b>13</b>
<b>Depreciation</b>			
As at 1 <sup>st</sup> April 2019	20,141		1
Charge for the year	4,052		1
Transfer on completion			
Impairments during the year	(51)		0
Disposals during the year	(159)		0
<b>At 31<sup>st</sup> March 2020</b>	<b>23,983</b>		<b>2</b>
<b>Net book value</b>			
<b>At 31<sup>st</sup> March 2020</b>	<b>128,290</b>	<b>663</b>	<b>11</b>
As at 1 <sup>st</sup> April 2019	126,137		12

Major repairs and investment in existing properties to let during the year amounted to £7.2 million. This has been accounted for as follows:

	For the year ended 31 <sup>st</sup> March 2020 Total £'000	For the year ended 31 <sup>st</sup> March 2019 Total £'000
<b>Freehold Property and Land</b>		
Planned maintenance (revenue)	4,834	3,382
Investment (capital)	7,243	6,189



**Long Leasehold Property and Land**

Planned maintenance (revenue)

341

12,418

9,571

For the year  
ended  
31<sup>st</sup> March  
2020

No.

For the year  
ended  
31<sup>st</sup> March 2019

No.

**Units in Management:**

General needs housing properties in management

5,848

5,891

General needs housing properties not in management

114

173

Leasehold management services

341

337

6,303

6,401

**14. Property, Plant & Equipment – Other Fixed Assets**

For the year  
ended  
31<sup>st</sup> March  
2020  
Total  
£'000

Office  
premises  
£'000

Vehicles &  
office  
equipment  
£'000

**Cost**As at 1<sup>st</sup> April 2019

2,586

1,053

3,639

Additions during the year

0

69

69

Disposals during the year

0

(13)

(13)

**At 31<sup>st</sup> March 2020****2,586****1,109****3,695****Depreciation**As at 1<sup>st</sup> April 2019

1,082

1,005

2,087

Charge for the year

132

10

142

**At 31<sup>st</sup> March 2020****1,214****1,015****2,229****Net book value****At 31<sup>st</sup> March 2020****1,372****94****1,466**As at 1<sup>st</sup> April 2019

1,504

48

1,552

## 15. Social Housing Grant & Other Government Grants

	Social Housing Grant	ARBED/CESP Grant	For the year ended 31 <sup>st</sup> March 2019 Total
	£'000	£'000	£'000
At 1 <sup>st</sup> April 2019	20,672	508	21,180
Additions during the year - components	4,200	0	4,200
Impairments during the year – components		0	
Disposal during the year – components	(145)	(2)	(147)
<b>At 31<sup>st</sup> March 2020</b>	<b>24,727</b>	<b>506</b>	<b>25,233</b>
<b>Amortisation</b>			
At 1 <sup>st</sup> April 2019	1,707	30	1,737
Charge for the year	694	10	704
Impairments during the year		0	
Disposals during the year	(16)	0	(16)
<b>At 31<sup>st</sup> March 2020</b>	<b>2,385</b>	<b>40</b>	<b>2,425</b>
<b>Net Book Value</b>			
<b>At 31<sup>st</sup> March 2020</b>	<b>22,342</b>	<b>466</b>	<b>22,808</b>
At 1 <sup>st</sup> April 2019	18,965	478	19,443

Gap Funding of £4.2m 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 2020 Total £'000	For the year ended 31 <sup>st</sup> March 2019 Total £'000
<b>Amounts falling due:</b>		
In one year or less	872	804
In more than one year	21,936	18,639
	<b>22,808</b>	<b>19,443</b>

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

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Arrears of rent, water and service charges	383	307
Less: provision for bad and doubtful debts	(136)	(103)
	<hr/> 247	<hr/> 204
Stock	110	565
Bad Debt Provision - Non Rent Debtors	(207)	(197)
Recoverable VAT	681	572
Debtors	640	377
Prepayments	1,044	554
Holiday Pay Asset	74	17
Prepaid Loan Facility Fees	52	52
WHQS / VAT Shelter	12,916	11,641
<b>Total debtors due within one year</b>	<hr/> <b>15,557</b>	<hr/> <b>13,785</b>

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

Prepaid loan facility fees	1,006	1,058
WHQS / VAT Shelter	32,753	40,794
<b>Total debtors due after more than one year</b>	<hr/> <b>33,759</b>	<hr/> <b>41,852</b>

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

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Accruals and deferred income	450	304
Capital creditors	7	2
Interest Payable & Similar Charges	343	353
Payroll Creditor	302	292
Rent In Advance	592	477
Maintenance and other supplies	92	5
Housing Loans	17,500	17,500
Holiday Pay Liability	233	137
WHQS / VAT Shelter	12,916	11,641
	<b>32,435</b>	<b>30,711</b>

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

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Housing Loans	55,000	55,000
WHQS / VAT Shelter	32,753	40,794
	<b>87,753</b>	<b>95,794</b>
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>	<b>55,000</b>
In one year or less	17,500	17,500
	<b>72,500</b>	<b>72,500</b>

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 0.68% to 0.73% and £50 million has been drawn down on a fixed rate basis at rates ranging from 4.6%. The loans are secured over the properties held by the Association.

## 20. Non-equity share capital

	For the year ended 31 <sup>st</sup> March 2020 £	For the year ended 31 <sup>st</sup> March 2019 £
Shares of £1 issued:		
At 1 <sup>st</sup> April 2019	613	659
Issued during the year	4	1
Cancelled during the year	(42)	(47)
<b>At 31<sup>st</sup> March 2020</b>	<b>575</b>	<b>613</b>

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. Operating leases

At 31<sup>st</sup> March 2019 Tai Calon had commitments under operating leases as follows:

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Motor vehicle and office equipment expiring :-		
Within one year	362	363
Between two and five years	88	804
	<b>450</b>	<b>1,167</b>
Operating lease expensed during the year	<b>387</b>	<b>362</b>

## 22. Capital commitments

	For the year ended 31 <sup>st</sup> March 2020 £'000	For the year ended 31 <sup>st</sup> March 2019 £'000
Capital expenditure contracted but not provided for in the financial statements	12,652	12,567
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.

## 23. Statement of Comprehensive Income Deficit

This year's surplus of £3.775 million has arisen as a result of the revaluation of the LGPS past service deficit liability. This combined with the prior year's results and the £6.966 million actuarial surplus on the pension scheme has led to the Association recognising a deficit on its general reserves of £22.269 million. The pension liability of £14.144 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 2023/24. 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:

### 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. 26<sup>th</sup> 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 31<sup>st</sup> March 2020. 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 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 was 20.5% of members' contributions due to the closure of the scheme to new entrants. It is projected that employer contributions of £1.322 million will be made for the forthcoming year.

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 2019	Total Salaries / Pensions £'000 31 <sup>st</sup> March 2019	Average Age 31 <sup>st</sup> March 2019
Actives	220	5,916	49
Deferred Pensioners	95	281	47
Pensioners	91	825	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
1 <sup>st</sup> April 2010 to 31 <sup>st</sup> March 2020	£6,092,000

LGPS early retirements			
New Early Retirements 1 <sup>st</sup> April 2019 to 31 <sup>st</sup> March 2020	Number	Total Pension Accrued £	Total Pension Actual £
Redundancy	-	-	-
Efficiency	-	-	-
Other	1	6,519	6,641

Investment Returns	
The return of the Fund in market value terms for the period to 31 <sup>st</sup> March 2020 is based on actual Fund returns as provided by the Administering Authority. Details are given below:	
Actual Returns from 1 <sup>st</sup> April 2019 to March 2020	(7.0%)

The major categories of plan assets as a percentage of total plan assets		
Period Ended	31 <sup>st</sup> March 2020	31 <sup>st</sup> March 2019
Equities	73%	76%
Bonds	23%	20%
Property	3%	3%
Cash	1%	1%

Financial Assumptions		
Period Ended	31 <sup>st</sup> March 2020 % p.a.	31 <sup>st</sup> March 2019 % p.a.
Pension Increase Rate	1.8%	2.5%
Salary Increase Rate	2.1%	2.9%
Discount Rate	2.3%	2.4%

<b>Mortality</b>		
	<b>Male</b>	<b>Female</b>
Current Pensioners	20.6 years	22.9 years
Future Pensioners	21.6 years	24.6 years

<b>Changes in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability for the year end 31<sup>st</sup> March 2020</b>			
<b>Period ended 31<sup>st</sup> March 2020</b>	<b>Assets £'000</b>	<b>Obligations £'000</b>	<b>Net (liability) / asset £'000</b>
Fair Value of Plan Assets	45,693		45,693
Present Value of funded liabilities		64,962	(64,962)
<b>Opening Position as at 31<sup>st</sup> March 2019</b>	<b>45,693</b>	<b>64,962</b>	<b>(19,269)</b>
<b>Service Cost</b>			
Current service cost		2,375	(2,735)
Past service cost		15	(15)
<b>Total Service Cost</b>		<b>2,750</b>	<b>(2,750)</b>
<b>Net Interest</b>			
Interest income on plan assets	1,109		1,109
Interest cost on defined benefit obligation		1,588	(1,588)
<b>Total Net Interest</b>	<b>1,109</b>	<b>1,588</b>	<b>(479)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>1,109</b>	<b>4,338</b>	<b>(3,229)</b>
<b>Cashflows</b>			
Plan participants' contributions	407	407	0
Employer contributions	1,458	0	1,458
Estimated Benefits paid	(1,038)	(1,038)	0
<b>Expected Closing Position</b>	<b>47,629</b>	<b>68,669</b>	<b>(21,040)</b>
<b>Remeasurements</b>			
Changes in financial assumptions		(8,387)	8,387
Changes in demographic assumptions		(2,949)	2,949
Other experience		(788)	788
Return on assets excluding amounts included in net interest	(5,228)	0	(5,228)
<b>Total remeasurements recognised in Other Comprehensive Income</b>	<b>(5,228)</b>	<b>(12,124)</b>	<b>6,896</b>
Fair value of plan assets	42,401	0	42,401
Present value of funded liabilities	0	56,545	(56,545)
<b>Closing Position as at 31<sup>st</sup> March 2020</b>	<b>42,401</b>	<b>56,545</b>	<b>(14,144)</b>







Tai Calon  
Community Housing,  
Solis One,  
Rising Sun Industrial  
Estate, Blaina,  
Blaenau Gwent  
NP13 3JW



0300 303 1717  
talktous@taicalon.org

**FOLLOW  
US ON:**



**DO YOU NEED A DIFFERENT FORMAT?**

If you would like this report in a  
different language please contact  
customer services