

# ANNUAL REPORT AND STATEMENT OF ACCOUNTS

2018/19

AT THE **HEART** OF  
YOUR COMMUNITY

 **Tai Calon**



## TABLE OF CONTENTS

Contents Page	2
Chair of the Board's Report	2
Chief Executive's Report	4
Background and Socio Economic Context	5
Key Performance Indicators (Kpis)	6
The 2018/19 STAR Survey Results	10
What we've achieved	12
Our plans for the future	15
Risk	17
Governance and Internal Control	21
Financial Performance	23
Statement of Board Responsibilities	25
Board Members	26
Independent Auditor's Report	28
Financial Statements	30

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 Statement for the year 1st April 2018 to 31st March 2019.*

This will be my last opportunity to present them as I will be stepping down as Chair at the Annual General Meeting, having completed six years in the role.

It has not been an easy job. In fact, it has been the most challenging of my long career. There have been a number of difficult times but, my fellow Board members and I have been totally committed to working with staff to ensure a strategically led organisation with robust governance and continually improving services for our tenants.

If I reflect on when I first became Chair, I am amazed at the journey we have travelled, particularly over the last three to four years. There have been some really stressful times. However, it has been worth it.

The culture has been transformed and significant progress has been achieved in putting in place strategies, plans and frameworks for the main areas of the work. Alongside this, most parts of the business have been improving in key performance areas. Empty homes are now at an acceptable number and re-letting times have speeded up. Rental income levels are among the best in Wales and have been achieved, despite the impact of Universal Credit. Staff have been supporting tenants affected by Universal Credit to keep them in their own homes, with notable success. Repairs are being done more rapidly and the majority are now completed

to a satisfactory level the first time. Furthermore, our governance is sound and there are effective control frameworks in place, including one for ensuring value for money, which is a priority right across the organisation.

Tenant engagement is now improving. It has been good to have the Chair of the Tenant Quality Forum now reporting directly to the Board every six months. It has also been pleasing to have an increasing number of tenants working in partnership with our teams to help improve conditions on their estates and the surrounding environment.

Although there have been a number of positive improvements, there is no room for complacency. There is still much work to be done to raise the standard of our tenant facing services and to have clarity around our cost base in order to assess effectively whether we are providing value for money.

In some ways I am saddened at not being able to achieve more in respect of improving social, economic and environmental conditions for tenants. This has been because there was a fundamental need to focus on ensuring that the organisation is well run and delivering efficient and effective services. I would also have liked to have been able to engage with more tenants and to get to know staff better.

However, Tai Calon is now in a relatively good place for my successor Chair to drive forward improvements and work with our partners and stakeholders to realise our vision.

Under the guidance and oversight of the new Chair and with dedicated staff I am hopeful that Tai Calon will continue on its journey to becoming one of the top performing housing associations in Wales. I should also mention the importance of Tai Calon's relationship with Blaenau Gwent County Borough Council. We work very much in partnership

with the local authority. I would like to pay particular tribute to those individuals with whom we collaborate and express my thanks to them.

Apart from Blaenau Gwent CBC's Councillors and officers, I would also like to thank Nick Smith M.P. and Alun Davies A.M., who have been great supporters of Tai Calon. I have very much valued this during my tenure.

Tai Calon Board members have been unfailing in their commitment. I am particularly appreciative of the support and guidance that they have given to me personally.

I should make a special mention of Fred Davies who will also be stepping down as a Board member with me. Fred has been with Tai Calon for nine years and has been determined to play a major part in driving the organisation to where it is today. He has been tenacious and supportive in his various Board roles and I am sure his input will be very much missed.

Finally, I want to thank our committed and hard-working staff who have responded and continue to respond positively to challenges, including the need for ongoing change.

Even though I will no longer be involved with the organisation, I will continue to watch its development and hope that I will be learning about great progress amongst our communities.

My sincere thanks and best wishes.



DR NORMA BARRY  
Board Chair

*Norma Barry*

## CHIEF EXECUTIVE'S STATEMENT

*The Annual Report and Financial Statement is a good opportunity to reflect on the past year which, I think, has been positive and has seen steady progress across all areas of service delivery.*



**JOE LOGAN**  
Chief Executive

A particularly important development has been the "Unlocking our Potential" project where we are developing our IT systems, improving our systems and processes, and embracing the benefits of going digital. This will increase the range of choice to our customers; there will be a digital by choice option, but retaining the existing options for those who prefer face to face, and will enable improved value for money.

Throughout this year, there has been a real focus on widening tenant and resident engagement. The new Housing Management arrangements enable the Housing Officers to spend most of their time out of the office in their neighbourhoods, working with communities to bring about improvements.

As always, strategically, we use three objective data sources to assess organisational progress. The first is the annual 'STAR' survey which is carried out by independent researchers and goes to a third of all tenants and leaseholders. This showed a flattening off of the previous year's significant jump in satisfaction levels, which tells us we have to work even harder to ensure all our services are designed and delivered with the needs of the customer at the centre.

The staff satisfaction survey showed good on-going progress in how staff feel about the organisation, their work, and how they are empowered to make decisions to improve our services.

The third data source is the annual Housemark Benchmarking report. This showed positive results in our relative performance and relative costs.

The results from all three data sources were scrutinised by the Board in the annual 'Raising Performance' report. This report seeks to deliver continuous improvement in all areas of service delivery and value for money.

I would wish to record my thanks to all our hard working staff who deliver these services and to all the tenants and leaseholders who engage with us in finding ways whereby we can improve our services further.

Finally, and on behalf of all our staff, we would like to offer our Chair, Dr Norma Barry, our thanks and our best wishes for the future. Norma has been the Chair of Tai Calon for six years and, under her leadership, the organisation has met the target for the Welsh Housing Quality standard and is now ready to begin building new homes. She retains a strong loyalty to the valleys communities.

Another long-standing Board Member and ex Vice Chair of the Board, Fred Davies, will also be stepping down this year. Again, we wish to pass on our thanks and best wishes for the future to him. Thank you both, and to all at Tai Calon.

Onward and upward.

## BACKGROUND AND SOCIO-ECONOMIC CONTEXT

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

We have 5,891 homes in management, 7,152 tenants and 13,151 people living in our homes. All of these homes have been brought up to the Welsh Housing Quality Standard. The majority of these homes are three bedroom houses, and in 2018/19 we adapted 745 of them to make it easier for tenants to stay in their homes and improve their quality of life. We also have 337 leasehold properties.

Blaenau Gwent is home to 69,609 people, meaning that 19% of the population live in a Tai Calon home. Unemployment in the area was 4.7% in 2018, slightly higher than Wales as a whole. Average earnings however were £479.10, placing Blaenau Gwent 15th out of the 22 Welsh local authorities; and more than half of Blaenau Gwent's working residents work outside the borough, which can mean higher travel costs.

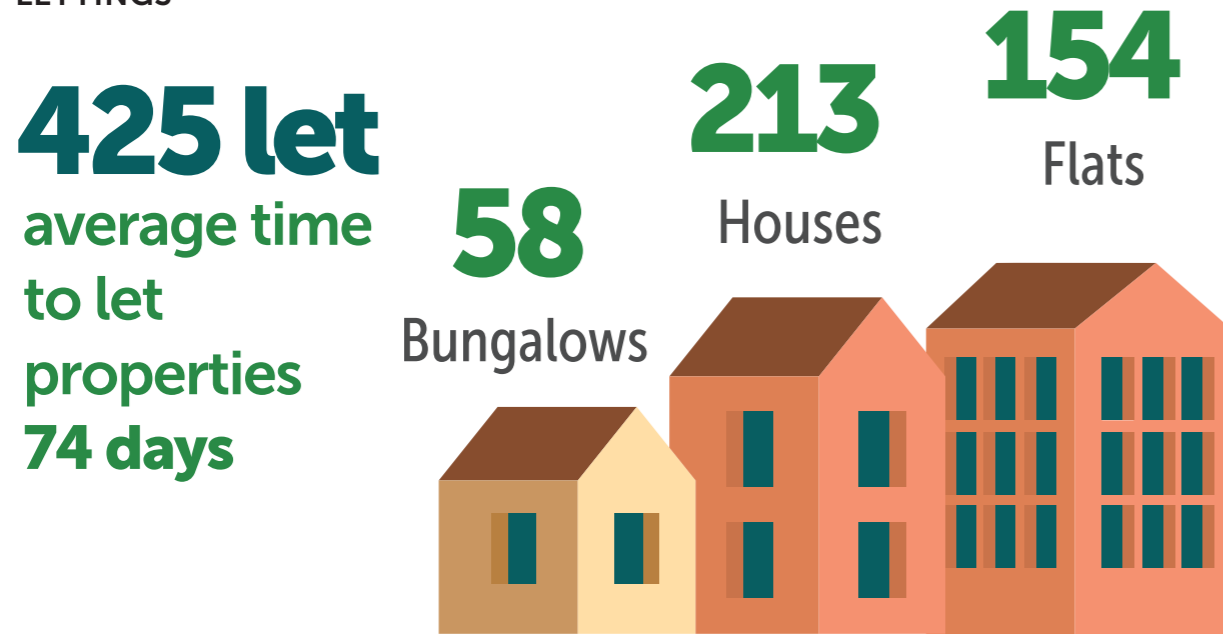
Universal Credit has been rolled out to 21% of Blaenau Gwent. The majority of the rollout so far has been focused on the employment element, with most of the migration of the housing and incapacity elements still to come. This presents a risk to Tai Calon's income as more of our tenants move onto Universal Credit. Internet access is also lower in Blaenau Gwent than the rest of Wales, which is a further problem since Universal Credit is designed to be accessed digitally. 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 help provide our tenants with the skills and opportunities to improve their life chances and secure employment.



# OUR PERFORMANCE 2018/19

## OPERATIONAL KEY PERFORMANCE INDICATORS (KPIs)

### LETTINGS



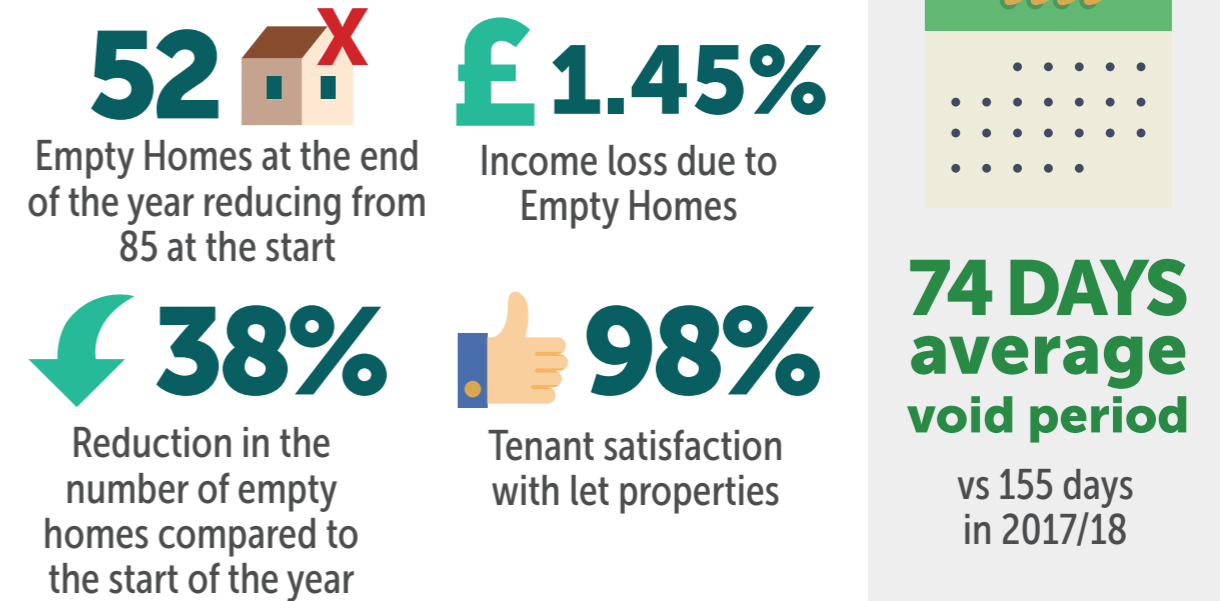
### RENT



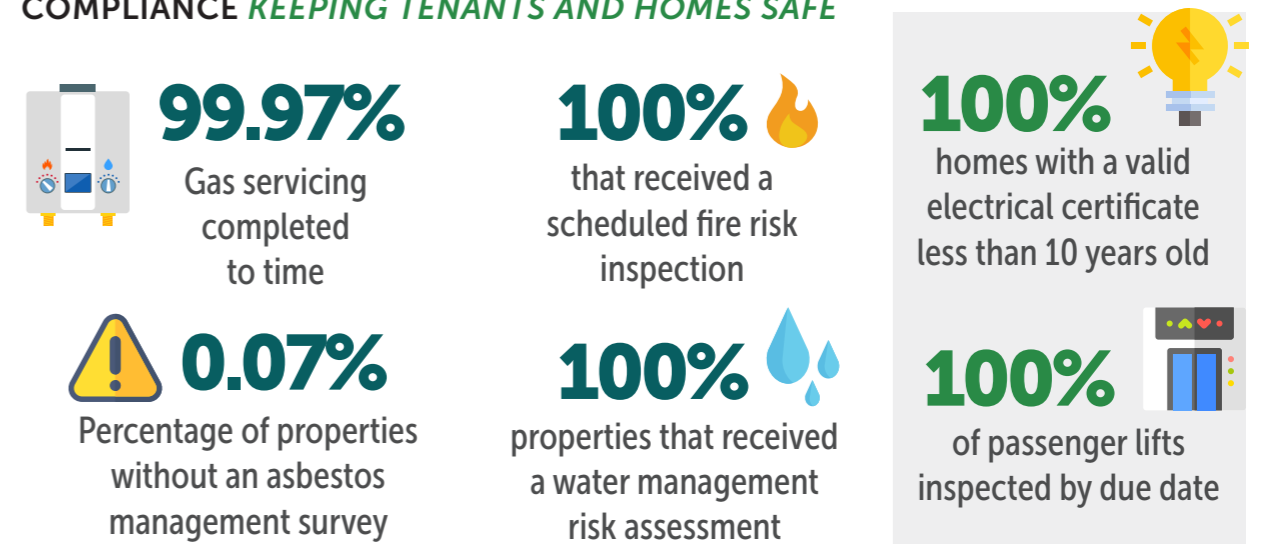
### REPAIRS



### EMPTY HOMES



### COMPLIANCE *KEEPING TENANTS AND HOMES SAFE*



### CUSTOMER CONTACT & COMPLAINTS



## PERFORMANCE COMMENTARY

### EMPTY HOMES

Over the last few years Tai Calon has worked hard to reduce both the number of long term empty homes and the time they stand empty. We set ourselves an ambitious target to reduce the number of empty homes to below 60 by the end of the year. We actually achieved a reduction to 52 empty homes (although this number fluctuates each week based on the 'churn' of tenancy terminations). The average time a home was empty was 74 days, also considerably shorter than the previous year.

The focus on empty homes will continue in 2019/20, where we have set a target of 45 empty homes by year end. We will also be working to further reduce the time homes are empty and the cost of the repairs process.

### INCOME COLLECTION

This has traditionally been an area of strength for Tai Calon, and this continued in 2018/19. Rent collected for the year was 99.77% and rent arrears were 1.25%, both achieving their targets of 97.8% and 2.6% respectively.

Income collection is still a high risk area that we will continue to focus on. The challenge posed by Universal Credit to some of our tenants' incomes means that there is no room for complacency. Plans are in place to work with affected tenants and assist them through the application or migration process. This provides a double benefit to Tai Calon, as our tenants are better supported, and a risk to our income is mitigated.

### COMPLIANCE, REPAIRS AND MAINTENANCE

Ensuring that we comply with the latest safety guidance and that tenants' homes are safe is a top priority. It's also important that we repair and maintain homes quickly and efficiently, so that our tenants live in a home where everything works and – from a business point of view – we protect our assets.

We achieved 99.97% for ensuring that gas services were completed by the required date. While this is the best performance for several years, we are aiming for 100% next year. We also maintain a rigorous inspection regime for fire, electrical, water management (legionella) and asbestos testing. All of these achieved 100% compliance, apart from asbestos, which achieved 99.93%.

For the KPIs relating to repairing the property, repairs completed to time and repairs completed right first time achieved close to 95% performance. These are encouraging scores, but since both are below their target of 98.5% and 95% respectively; we will be focusing on improving them in 2019/20.

### CUSTOMER CONTACT AND COMPLAINTS

We received 96 complaints in the year and upheld 62 of them. The most common reason for upheld complaints was poor or lack of communication. Complaints present an opportunity for us to improve, so we work to capture the lessons learned from each complaint to prevent it happening again.

Through the year we received 89,634 calls into our Customer Services team with 96.6% answered on time. It's a great achievement that our customer satisfaction survey result was 100%. Customer contact is an area that will be focused on during 2019/20, as we deploy new, digital ways for tenants to contact us if they choose. We will continue to monitor satisfaction levels to ensure that we maintain the high standards our tenants expect in this area.

Tai Calon has an agreed set of KPI Performance Indicators (KPIs) 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 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 2017/18	TAI CALON 2017/18	TAI CALON 2018/19
Operating costs for lettings per Social Housing unit	£3,197	£3,445.54	£3,456.12
Management costs per Social Housing unit	£1,222	£1,338.64	£1,360.38
Reactive repair costs per Social Housing unit	£1,131	£1,452.92	£1,414.19
Major repairs and component costs per Social Housing unit (Capital)	£970	£1,146.62	£1,050.52
Major repairs and component costs per Social Housing unit (Capital and Revenue Expenditure)	£1,257	£1,694.05	£1,624.62
Bad debts per Social Housing unit	£32	£11.56	£37.85
"Weighted average cost of capital (current year)"	5.13%	5.66%	5.67%
Free cash flow (before draw down or repayment of loans) per Social Housing unit	£394	-£260.72	-£153.28
Gross Arrears/Social Housing turnover	4.6%	0.83%	1.21%
Total rent per Social Housing unit	£5,294	£3,973.53	£4,295.37
Rental void loss per Social Housing unit	£79	£121.15	£59.41

# THE 2018/19 STAR SURVEY



# STAR SURVEY

STAR stands for Survey of Tenants And Residents

Housing associations like Tai Calon use the survey to understand 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.

Our independent researchers sent out just over 2,000 surveys to tenants and leaseholders and received 767 back. These results represent tenants who answered they were very or fairly satisfied. The other options were neither, fairly or very dissatisfied.

## ABOUT WHO RESPONDED:



TENANT'S AGES			
16-34	35-49	50-64	65+
<b>16%</b>	<b>21%</b>	<b>25%</b>	<b>31%</b>

## OUR TEAM:

**84%** said we had friendly and approachable staff

**79%** said our staff were helpful

**74%** were satisfied with how their enquiry was dealt with

**70%** found it easy to get hold of the right person

**74%** OF TENANTS are satisfied with our overall service

# REPAIRS

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

**91%** were satisfied we kept dirt and mess to a minimum

**86%** were satisfied with the quality of the repair



**6 out of 10** homes had a repair in the last year



**82%**

of respondents were happy with their last repair

# INTERNET USE

**63%** of tenants use the internet

## HOW TENANTS GET ONLINE:

**47% SMARTPHONE**

**27% TABLET**

**28% LAPTOP**



## TENANTS USE THE INTERNET FOR:

**46% SOCIAL MEDIA**

**44% SHOPPING**

**42% ONLINE BANKING**

# SATISFACTION WITH KEY SERVICES

**76%**

QUALITY OF HOME

**75%**

VALUE FOR MONEY OF RENT

**79%**

SATISFACTION WITH YOUR NEIGHBOURHOOD

# WHAT WE'VE ACHIEVED ASSETS

Effective Asset Management and a reduction in the number of empty homes remains a corporate priority. Building new homes to meet the needs of current and future generations is an added priority. The Board made some significant strategic asset management decisions to progress these priorities, including progression through the Development Governance Framework of projects to build new homes. Working closely with the Local Authority and Welsh Government two new build sites are progressing through design and planning to deliver 43 new homes. Another six sites are also undergoing due diligence and feasibility.

The window replacement programme has continued, along with improvements to external renders, roofing, gardens and the environment around homes. The Board approved an investment of £12.4 million in homes and communities between April 2019 and March 2020 as well as indicative Medium Term Investment of £31.9 Million between April 2020 and March 2024. The future Medium Term Investment Programme is reviewed and approved by the Tai Calon Board and is subject to affordability. Over the next 5 years this amounts to a total investment of £42.9 Million.

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

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

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

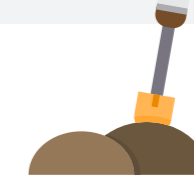
MEDIUM TERM INVESTMENT PROGRAMME					
	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Estates & Environment	1,387	1,192	1,192	94	94
Gardens & Boundaries	1,700	1,200	200	200	200
External	6,861	7,266	2,895	3,904	3,237
Internal	1,094	3,187	2,358	2,549	2,114
<b>Total</b>	<b>11,042</b>	<b>12,845</b>	<b>6,645</b>	<b>6,747</b>	<b>5,645</b>

# ENVIRONMENTAL IMPROVEMENTS



**10 MILES OF FENCING INSTALLED**

Our Environmental Improvements Team has been working to make sure that our gardens, boundaries, steps and walls are brought up to the Welsh Housing Quality Standard. The focus is to firstly make sure that the area is safe and secure, and that all hazards are removed from the garden, but we also want to ensure that it is enjoyable, pleasant and usable.



**300 TONNES OF SOIL & RUBBLE SHIFTED**

The team has been working in Cefn Golau during 2018/19, and has installed ten miles of fencing and moved over 300 tonnes of soil and rubble. Each home presents a different challenge, as there are often unforeseen works that need to be carried out to complete the project, so they've got used to dealing with surprises. In 2019/20 work will continue in Cefn Golau before moving into the Coed Cae area.

# ADAPTATIONS



In 2018 - 2019 Tai Calon delivered 678 aids and adaptations in our tenants homes.

Tai Calon are committed to ensuring that our tenants are able to live independently in their homes for as long as possible. We provide aids and adaptations which meets the needs of tenants and are also Value for Money. Each year we spend £600,000 providing adaptations for tenants that need them.

## WHAT DID WE ACHIEVE?

- Installed 87 external handrails.
- Installed 14 access ramps.
- Made 32 structural alterations.
- Installed 46 Stair-lifts.
- Serviced & repaired 84 stair-lifts.
- Installed 67 wet rooms and shower rooms.
- Made 415 minor adaptations (grab rails/internal hand rails/key safes/shower seats).

## HELPING TENANTS INTO EMPLOYMENT

*Tai Calon Employment Training team works with tenants to provide them with new skills and improve their life chances. These courses provide both a social benefit to tenants and generate an income for Tai Calon.*

The team have engaged with a variety of partner organisations in 2018/19.

- **Voluntary Work Experience (VWE)**

– VWE is our volunteering/work placement projects that offers 'real life' work experience in a wide variety of roles within the business. The projects are designed to enhance participant's confidence, motivation, skills, work ethic and resilience. Our experience has shown that this is the most effective method for preparing participants to enter the world of work. Since launching the project in early 2016 we have facilitated 165 placements. One of the projects most notable achievements is that twenty-four of these participants went on to gain full time employment with us. In 2018-19 thirty-eight people participated in a work placement and fifteen progressed into employment.

- **Learn to Earn** – Tai Calon, in association with Aneurin Leisure, assisted with five young people obtaining qualifications as lifeguards. Each of them were already volunteering in the role, but were stuck, as they couldn't afford the £500 cost of full qualification. Tai Calon assisted with the cost. Since qualifying, all five volunteers have been taken on into paid roles.

- **Dame Kelly Holmes Trust** – The Dame Kelly Holmes Trust supports 11-25 year-olds who are harder to engage in both education and in the community. The trust achieves this by training and developing world class athletes to deliver personal, social and emotional development programmes. Tai Calon worked with a challenging cohort of 12 young people in 2018/19. Some of whom were excluded from school, and all needed support. We supported the efforts of the athletes supplied by the Trust to deliver the programme, including four young people participating in the Ride London bike ride. All twelve of the cohort completed the programme, and since completion two have gone into employment, two into full time education and three have begun voluntary work. The scheme will continue to run in 2019/20.

- **Growing Spaces** – Growing Spaces is a project where Tai Calon has provided shop premises in Brynmawr and volunteers recycle furniture, some of which comes from our void properties. Tenants in need are also provided with vouchers to obtain furniture for free. In 2018/19 sixty-nine vouchers were given out for tenants to obtain furniture in this way.

## OUR PLANS FOR THE FUTURE THE #UP PROGRAMME

*Tai Calon has started a transformation programme designed to put tenants at the heart of everything we do.*

The #UP Programme (Unlocking our Potential) began in 2018 and will continue into 2019/20. It started with the upgrade of our housing management system - NPS - which will allow us to do things that the old version didn't. The #UP Programme is about more than just technology though, it's about designing our services to be responsive to our tenant's needs and to provide good value for money. The key principles of the #UP Programme are below:

**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.

**1** UNLOCKING OUR POTENTIAL

**2** BUILDING ON OUR STRENGTHS

**3** ENABLING US TO DO MORE

**4** DIGITAL THROUGH CHOICE

**5** SIMPLE BY DESIGN



## OUR DEVELOPMENT PROGRAMME

*2019/20 is an exciting year for Tai Calon, as we take forward key development, refurbishment and disposal projects.*

This is the first time that Tai Calon has embarked on a building programme, and these projects will deliver much needed new homes into Blaenau Gwent.

Each property that becomes void is appraised to establish if it is cost effective to repair and re-let. Larger or more expensive void properties will be appraised via our Asset Performance Evaluation (APE) tool. This tool provides standard criteria to assess the financial viability and community sustainability of each void, and to decide whether it is let to another tenant, developed, demolished, or sold.

The first project in the development programme is Glanffrwd Court, involving a significant 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, electrical and fire safety systems. It made more sense financially to close the building and replace it with more modern housing that meets the needs of the local community.

Demolition work is currently underway at the site and the current plan is to build 28 houses, flats and bungalows in its place (subject to planning consent). 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".

## RISK

*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 Regulator, also 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 develop actions to improve itself. Risk management also helps to ensure that Tai Calon has a good understanding of its own operation and the environment it operates in.

Tai Calon has a risk management process, as shown graphically below. While the major risks that Tai Calon faces – and the action to reduce them – are shown on the following page.



Graphic	Risk	Inherent Risk Grading
	Risk that employees, tenants, contractors and the general public are not kept safe.	
	That Tai Calon does not comply with the regulatory requirements either set by Welsh Government or other regulatory bodies.	
	That a major fraud takes place.	
	That our financial plans and assumptions are not fit for purpose and undermine our viability.	
	Risk that Welsh Government, alters its rent policy, affecting our business plan.	
	That we are not able to afford to invest and maintain homes to the expected standards.	
	That welfare reform changes impact significantly on the socio/economic outcomes of tenants leading to higher voids and anti-social behaviour.	
	Risk that service delivery improvements identified are not implemented due to poor data.	
	That BREXIT impacts upon the organisation and ultimately tenant services and the financial viability of the organisation.	

Mitigating Actions	Residual Risk Grading
We have put in place a range of safety controls including policies and procedures, risk assessments, method statements and planned preventative maintenance. We ensure that safety has a high profile in the organisation and is reported at all levels and we attend all relevant industry events to keep up to date with changes in the safety sector.	
We meet regularly with the Welsh Government Regulatory Group. We also commission independent reviews where necessary and have changed our rules based on their advice. A GDPR policy is in place, and training has been delivered across the organisation.	
There are a range of controls in place across the organisation to reduce the risk of fraud. These are reviewed regularly by the Audit and Risk Committee. We also hold external audits and our IT department has completed penetration testing for cyber fraud.	
We complete an annual business plan which is extensively stress tested under various scenarios and approved by our funders. We also keep our costs under review through the year. The Regulatory Opinion from the Welsh Government was Standard (the highest rating) and had no adverse comments.	
We take a prudent approach to rent setting and rent increases when developing our medium term financial plan, and test it against every scenario. The impact of this risk means that it was appropriate to leave it as red.	
A new asset management strategy was agreed in February 2019 explaining how we intend to maintain our stock. We make decisions based on accurate data held in the PIMSS database and conduct regular stock condition surveys to keep it up to date. There is an appraisal process in place for all empty homes to make sure that we make the right decision about it.	
There are a wide range of measures in place to alleviate the risk of welfare reform. We have improved our internal systems, use Key Performance Indicators to monitor closely the level of rent arrears due to welfare reform and work with our tenants to sustain their tenancies. It was felt appropriate to retain this risk as red however due to its significance.	
Service standards are in place for a number of key services, linked to our 2020 Vision and our Strategic Action Plans. We've also developed and deployed a Service First Charter establishing the standards for customer behaviour we will work to. Our #UP Programme has commenced, which will improve our data systems and allow us to change our processes so that they are designed around tenant needs.	
We have prepared a separate document on the key risks related to BREXIT and have taken extensive advice. We have also worked closely with our suppliers to check their readiness for BREXIT.	

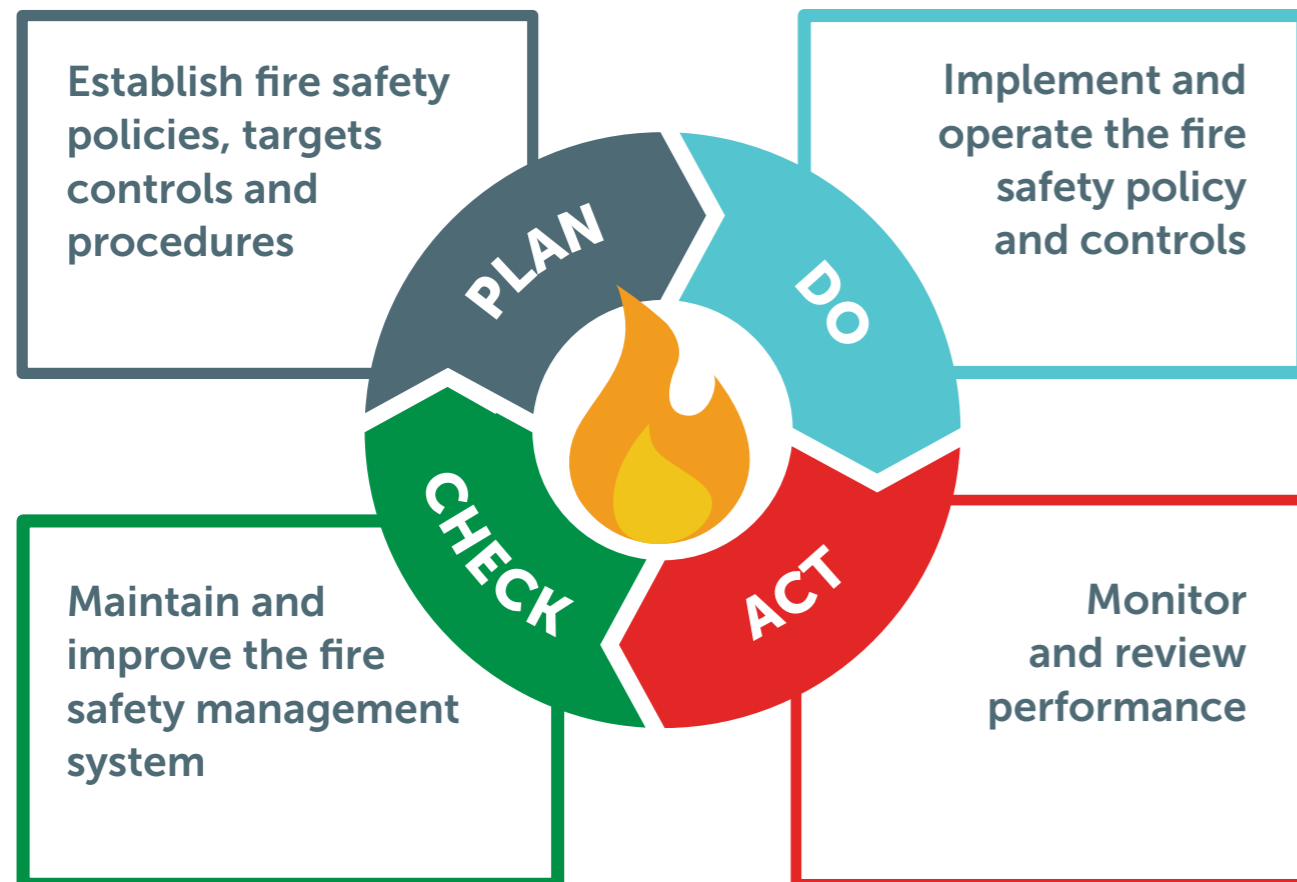
## FIRE SAFETY

Preventing fires and reducing risk as low as possible is one of Tai Calon's most important responsibilities as a landlord.

We do this by making sure that all relevant staff are regularly trained in fire safety procedures and all applicable areas are regularly inspected. We completed 97 fire risk assessments within our properties last year, in line with the annual or three yearly assessment schedule. No properties due to be assessed were missed, and 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. This is both recommended in PAS 7:2013 – Fire Risk Management system- Specification, and is an established method of control and continuous improvement used in many industries.

Performance reports on both the completion of assessments, and the management of any fire risks identified are also presented to the Executive team monthly and to the Board, Operations Committee and Tenant Quality Forum each Quarter.



## GOVERNANCE AND INTERNAL CONTROL

Tai Calon is governed by the Board and tenant shareholding members and managed by the Executive Team. As a Community Housing Mutual, tenants are entitled to become tenant shareholders and at the end of the year shareholder membership stood at 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 and a work plan has been established. This plan includes overseeing finances, agreeing policies, monitoring performance, making strategic decisions and generally ensuring good governance is in place across the business. To support this aim we have adopted the revised Code of Governance published by Community Housing Cymru in June 2018. A review of our compliance with the Code of Governance was undertaken by Board in July 2019. 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 2018/19 which has been integral to our corporate planning process.

The Board has updated its Standing Orders, Financial Regulations, Scheme of Delegations and Procurement Framework during 2018/19 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 2018/19 Gender Pay Gap Report in March 2019 and will continue to work to develop our policies and procedures in a way that encourages inclusion and a fair and diverse work environment.

An Audit and Risk Committee is in place. This Committee meets four times a year and is delegated to monitor internal and external audit, risk management and internal controls, fraud and irregularities and review the financial statements. An Operations Committee meets quarterly and reviews the performance of the organisation in respect of service delivery and tenant engagement.

An Executive Appointments and Remuneration Committee meet at least once a year. They review the performance and terms and conditions of the Executive Team.

The Association received a positive Regulatory Judgement in September 2018 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. The three lines of defence approach measures the strength of assurance from both internal and external sources to provide an overall opinion on the internal control framework. Assurance is sought 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, Board are satisfied that there are no weaknesses in our system of internal control which might lead to material losses, contingencies or uncertainties which require disclosure in the financial statements or the auditor's report on the financial statements.

## FINANCIAL PERFORMANCE

The 2018/19 financial statements are prepared under Financial Reporting Standard (FRS102) accounting standard and Housing Statement of Recommended Practice (SORP 2014).

The financial result for the year ending 31st March 2019 is a deficit of £7.051 million compared to the previous year of £2.695 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 2019 stands at £19.269 million and has increased by £5.846 million as recognised in the Statement of Comprehensive Income. Tai Calon undertook a review of its pensions scheme in 2018 and the Board agreed

to close the LGPS to new entrants from the 1st July 2018, new entrants join a new defined contribution scheme.

The financial statements also include a Statement of Cash Flows which has been set out in accordance with the Welsh Government accounting determination. This requires the statement of both cash flow and free cash flow which is considered to be a closer definition of operational efficiency.

### 2018/19 Financial Statement – Results Summary Statement of Comprehensive Income

	For the year ended 31st March 2019	For the year ended 31st March 2018	Movement
	£'000	£'000	£'000
Turnover	25,649	24,289	1,360
Operating Expenditure	(25,238)	(24,936)	(302)
<b>Operating Surplus/Deficit</b>	<b>411</b>	<b>(647)</b>	<b>1,058</b>
Sale of Assets	1,226	345	881
Net Interest	(4,104)	(4,096)	(8)
Pension Deficit Adjustment	(4,584)	1,703	(6,287)
<b>Net Deficit on Comprehensive Income for the Year</b>	<b>(7,051)</b>	<b>(2,695)</b>	<b>(4,356)</b>

Turnover has increased by 5.59% from £24.289 million to £25.649 million which has been driven by the increase in rents as set out in Welsh Government rent policy and changes to property numbers. Our operating surplus is £411,000 which is £1.058 million higher than in 2017/18.

The net cost of borrowing was £4.104 million, an increase of £8,000 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.

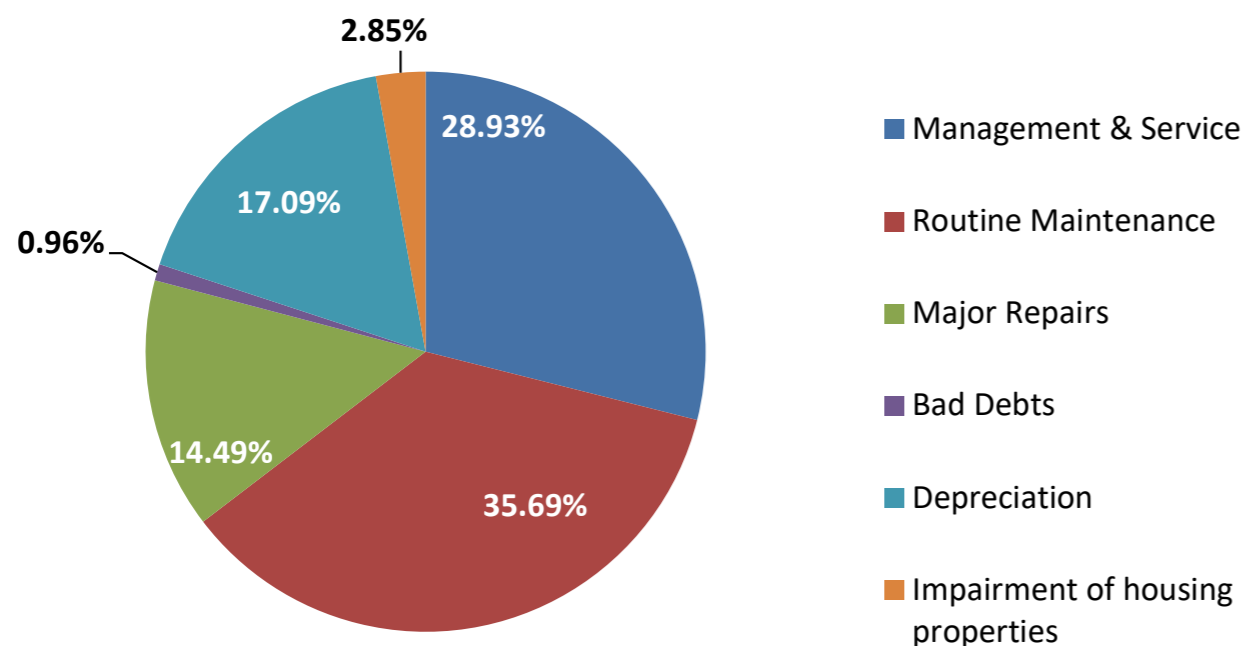
As at 31st March 2019, the Association has £32.5 million of unutilised funding facility that, subject to annual covenants, it could draw upon alongside cash at the bank and in hand totalling £2.529 million. Our debt ratio was 24% at variable and 76% at fixed interest rates which is compliant with our 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 our 2019/20 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 judgement. 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 analyses 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 2018/19

for the year ending March 31st 2019



## STATEMENT OF BOARD RESPONSIBILITIES

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

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

In preparing the financial statement, the Board is required to select suitable accounting policies, as described on pages 34 to 40; and then apply it on a consistent basis, making judgements and estimates that are prudent and reasonable. They must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

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

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

In so far as the Board is aware:

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

Approved on behalf of the Board by:

Dr Norma Barry, Chair of the Board  
29th July 2019

## BOARD MEMBERS

### Tenant Board Members

Vicki Browning  
 Stacey Collyer – Resigned September 2018  
 Michael Rose – Appointed September 2018  
 Andrea Teague – Appointed September 2018

### Council Board Members

Malcolm Day  
 Bob Summers – Resigned September 2018  
 Stewart Healy

### Independent Board Members

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

### Co-opted Board Members

Claire Barley – Resigned August 2018  
 Stephanie Al-Wahid – Appointed May 2018  
 Neil Harries – Appointed September 2018  
 Ross Maude – Appointed September 2018

### Operations Committee Co-opted Board Member

Nigel Perring - Resigned September 2018

### Executive Officers

Joe Logan  
 Chief Executive  
 Marcia Sinfield  
 Deputy Chief Executive and Director of  
 Resources & Company Secretary  
 Andrew Myatt  
 Director of Communities & Housing  
 Stacy Thomas  
 – Director of Assets & Property  
 - Appointed October 2018

### Registered Office

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

### External Auditors

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

### External Auditors

Mazars LLP, Tower Bridge House,  
 St Katherine's Way, London E1W 1DD

### Bankers

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

### Funders

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

## 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 2019, 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 21, 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 2019

# 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<sup>st</sup> March 2019 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 31<sup>st</sup> March 2019 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 25), 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:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

This description forms part of our auditor's report.

### Use of our report

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

*Bevan Buckland*

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

Date: 29 July 2019

# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH 2019

		For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
		£'000	£'000
Turnover	3	25,649	24,289
Operating costs	3	(25,238)	(24,936)
Operating Surplus / (Deficit)		411	(647)
Surplus on sale of fixed assets	6	1,226	345
Interest receivable		5	1
Interest payable and similar charges	12	(4,109)	(4,097)
<b>Deficit on ordinary activities before taxation</b>		<b>(2,467)</b>	<b>(4,398)</b>
Taxation		-	-
<b>Deficit for the year after tax</b>		<b>(2,467)</b>	<b>(4,398)</b>
Changes in pension past service deficit contribution liability on revaluation		(4,584)	1,703
<b>Total Comprehensive income for the year</b>		<b>(7,051)</b>	<b>(2,695)</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

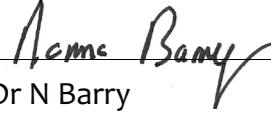
For the year ended 31 <sup>st</sup> March 2019	Income & Expenditure Reserve £'000	Revaluation Reserve £'000	Total Reserve £'000
At 1 <sup>st</sup> April 2018	(20,559)	48,259	27,700
Deficit from Comprehensive Income	(7,051)	0	(7,051)
Transfer from Revaluation Reserve	800	(800)	0
<b>At 31<sup>st</sup> March 2019</b>	<b>(26,810)</b>	<b>47,459</b>	<b>20,649</b>




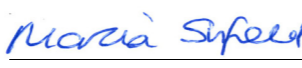
## STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2019

		For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
		£'000	£'000
<b>NON-CURRENT ASSETS / FIXED ASSETS</b>			
<b>Property, Plant &amp; Equipment</b>			
Social Housing properties	13	126,137	125,397
Other Property, Plant & Equipment	13	12	13
Other Fixed Assets	14	1,552	1,707
		<b>127,701</b>	<b>127,117</b>
<b>Current assets</b>			
Debtors			
Amounts falling due within one year	16	13,785	14,526
Amounts falling due after one year	17	41,852	55,655
Cash at bank and in hand		2,529	1,515
		<b>58,166</b>	<b>71,696</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year			
Social Housing Grant and Other Grants: amounts falling due within one year	18	(30,711)	(32,019)
	15	(804)	(671)
<b>Net current assets</b>		<b>26,651</b>	<b>39,006</b>
LGPS pension liability	24	(19,269)	(13,423)
<b>Total assets less current liabilities</b>		<b>135,083</b>	<b>152,700</b>
Creditors: amounts falling due after more than one year			
Social Housing Grant and Other Grants: amounts falling due after one year	19	(95,794)	(109,545)
	15	(18,639)	(15,454)
<b>Total net assets</b>		<b>20,650</b>	<b>27,701</b>
<b>Capital and reserves</b>			
Share capital			
Income & Expenditure Reserve	20	1	1
Revaluation Reserve		(26,810)	(20,559)
		47,459	48,259
<b>Total capital and reserves</b>		<b>20,650</b>	<b>27,701</b>

The financial statements were approved by the Board of Management on 29<sup>th</sup> July 2019 and signed on its behalf by:

  
Dr N Barry  
Chair

  
K Howells  
Vice Chair

  
M Sinfield  
Secretary

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2019

	For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
	£'000	£'000
<b>Operating Surplus / (Deficit)</b>	<b>411</b>	<b>(647)</b>
<b>Adjustments for non cash items</b>		
Depreciation of tangible fixed assets	4,055	3,879
Impairment of tangible fixed assets	665	400
Government grants utilised in the year	(636)	(502)
<b>Working capital movements</b>		
(Increase) / decrease in debtors	14,706	14,709
Decrease / (increase) in operating creditors	(15,055)	(14,244)
(Decrease) / increase in provisions	137	36
Decrease / (increase) in stock	(351)	(14)
Pension deficit cash contributions paid	1,262	1,549
<b>Net cash generated from operating activities</b>	<b>5,194</b>	<b>5,166</b>
<b>Interest received</b>		
Interest received	5	1
<b>Interest paid</b>		
Interest paid	(4,106)	(4,072)
<b>Prepaid loan fees</b>		
Prepaid loan fees	52	52
<b>Adjustment for reinvesting in existing activities:</b>		
Purchase of other fixed assets	0	0
Component replacement	(6,196)	(6,851)
<b>Free cash generated / (consumed) before loan repayments</b>	<b>(5,051)</b>	<b>(5,704)</b>
Loans repaid	(10,000)	(11,900)
<b>Free cash generated / (consumed) after loan repayments</b>	<b>(15,051)</b>	<b>(17,604)</b>
<b>Cash flow from investing activities</b>		
Proceeds from the sale of properties and other fixed assets	1,865	493
Grants received	4,200	4,200
<b>Cash flow from financing activities</b>		
New secured loans and drawdowns from existing revolving credit facilities	10,000	12,150
Net (decrease) / increase in cash and cash equivalents	1,014	(761)
Cash and cash equivalents at the beginning of the year	1,515	2,276
Cash and cash equivalents at the end of the year	2,529	1,515

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

### 1. LEGAL STATUS

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

#### Format of accounts

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

#### Basis of accounting

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

#### Basis of preparation

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

On this basis, the Board has a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

### Adoption of the Housing SORP 2014

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

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

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

### Turnover

Turnover represents rental and other income receivable and revenue grants receivable. It also includes grants reimbursing specific expenditure on the improvement programme and amortisation of Social Housing Grant. Disposals of fixed assets such as Right to Buy sales income are not included in turnover.

### Housing properties

Housing Properties are 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.

### Tangible Fixed Assets - Other

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

### Interest payable

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

### Depreciation

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

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

Following the adoption of FRS102 grant is accounted for separately on the face 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:

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

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

The policy in respect of expenditure to refurbish or replace major components on housing properties is that all such work is assessed against life cycle costing principles. Any cost in respect of repairs with a life of less than 10 years is charged direct to the Statement of Comprehensive Income. Refurbishment or replacement of major components which have an estimated useful life in excess of 10 years are capitalised and depreciated over the useful life of the component as follows:

<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 2021 and additional financial assistance is intended to be offered until 2041. The amount of further financial assistance will depend upon satisfactory progress being made and compliance with the terms and conditions established by the Welsh Government.

In line with the Housing SORP 2014 capital grants received from government agencies and local authorities are now shown within creditors on the face of the Statement of Financial Position. Grants relating to assets are recognised in income on a straight line basis over the expected useful life of an asset in line with the above depreciation policy. Grants receivable are included as debtors in the financial statements.

### Supporting People

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

### Impairment

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

### Repairs and maintenance

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

### Operating leases

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

### Right to Buy sales

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

## Taxation

### Value Added Tax

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

### VAT Shelter

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

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

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

### Corporation Tax

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

### Provisions

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

### Employee Benefits:

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

### Pension costs

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

From July 2018 the LGPS is 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 judgements 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

- 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 SURPLUS/(DEFICIT)

In addition to our audit on the financial statements for the year ended 31st March 2019, 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").

	Year ended 31 <sup>st</sup> March 2019			Year ended 31 <sup>st</sup> March 2019		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social Housing Lettings</b>						
General needs housing	25,304	(25,035)	269	23,714	(24,731)	(1,017)
<b>Fully rented housing accommodation</b>	<b>25,304</b>	<b>(25,035)</b>	<b>269</b>	<b>23,714</b>	<b>(24,731)</b>	<b>(1,017)</b>
Garages	37	0	37	35	0	35
Other activities	308	(203)	105	540	(205)	335
<b>Total</b>	<b>25,649</b>	<b>(25,238)</b>	<b>411</b>	<b>24,289</b>	<b>(24,936)</b>	<b>(647)</b>

### 4. TURNOVER FROM LETTINGS

	For the year ended 31 <sup>st</sup> March 2019 £'000	For the year ended 31 <sup>st</sup> March 2018 £'000
<b>General Needs and Sheltered Housing</b>		
Rents receivable	24,109	22,590
Service charges receivable	463	449
Income for Support Services	82	82
Amortisation of Social Housing Grant & Other Government Grants	636	502
Other Revenue Grants	14	91
<b>Turnover from Social Housing Lettings</b>	<b>25,304</b>	<b>23,714</b>

### 5. OPERATING COSTS FROM LETTINGS

	For the year ended 31 <sup>st</sup> March 2019 £'000	For the year ended 31 <sup>st</sup> March 2018 £'000
<b>General needs housing</b>		
Management costs	6,752	6,440
Service Charge Costs	633	636
Routine Maintenance	8,331	8,671
Major Repairs Expenditure	3,382	3,267
Bad Debts	223	69
Depreciation of housing properties	3,787	3,699
Impairment of housing properties	665	400
LGPS Income & Expenditure Charge	1,262	1,549
<b>Operating costs on social housing activities</b>	<b>25,035</b>	<b>24,731</b>
<b>Operating Surplus / (Deficit) on social housing lettings</b>	<b>269</b>	<b>(1,017)</b>
Rent losses due to voids (memorandum note)	350	723

## 6. SURPLUS ON SALE OF FIXED ASSETS

	For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
	£'000	£'000
Sale proceeds	1,865	493
Cost of sales	(639)	(148)
Surplus on disposal	1,226	345

During the year Tai Calon sold 33 properties under the Right to Buy. This is a significant 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 2019, Tai Calon has received approximately 80 Right to Buy applications.

## 7. IMPAIRMENT

Asset and Depreciation impairments totalling £794,275 are reflected in the accounts in notes 13 and 15. During 2018/19, long term voids have been removed from the rent roll. Options appraisal on these properties are continuing to assess their long term viability.

## 8. OPERATING SURPLUS / (DEFICIT) FOR THE YEAR

	For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
	£'000	£'000
Operating surplus / (deficit) for the year is stated after charging:		
Depreciation	4,055	3,879
Amortisation	636	502
Operating leases – Other	353	325
Bad Debts	223	69
Auditor's remuneration (inclusive of VAT):		
in their capacity as auditors	14	13

## 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 2019	For the year ended 31 <sup>st</sup> March 2018
	£'000	£'000
Emoluments (including pension contributions and benefits in kind)*	368	443
Emoluments (excluding pension contributions) paid to the highest paid senior executive	112	107

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 £22,274. 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:

	2019 No.	2018 No.
£nil	0	0
£1 - £50,000	0	0
£50,001 - £60,000	0	0
£60,001 - £70,000	0	1
£70,001 - £80,000	2	2
£80,001 - £90,000	1	1
£90,001 - £100,000	0	0
£100,001 - £110,000	0	1
£110,001 - £120,000	1	0
£120,001 - £130,000	0	0

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 2019	For the year ended 31 <sup>st</sup> March 2018
	£	£
Dr Norma Barry (Chair)	6,608	-
Katherine Howells (Vice Chair)	4,389	-
Fred Davies (Chair of Operations Committee)	4,853	-
Michael Rose (Chair of Remuneration Committee)	3,172	-
Mark Perry	2,606	-
Kelly Reynolds	2,606	-
Vicki Browning	2,683	-
Stewart Healy	2,625	-
Stephanie Al-Wahid	2,606	-
Andrea Teague	2,654	-
Ross Maude	2,606	-
Neil Harries	3,020	-
Malcolm Day	1,845	-
<b>Total</b>	<b>42,273</b>	<b>0</b>

## 10. EMPLOYEE AND EMPLOYER COSTS

	For the year ended 31 <sup>st</sup> March 2019 £'000	For the year ended 31 <sup>st</sup> March 2018 £'000
Staff costs during the year:		
Wages and Salaries	6,782	6,835
Social security costs	637	657
Other pension costs	2,523	2,703
	<b>9,942</b>	<b>10,195</b>
	For the year ended 31 <sup>st</sup> March 2019 No.	For the year ended 31 <sup>st</sup> March 2018 No.
Average number of full time equivalent employees during the year:		
Management and administration	134	134
Wardens, caretakers and cleaners	14	14
Housing repair service	104	108
	<b>252</b>	<b>256</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 2019 £'000	For the year ended 31 <sup>st</sup> March 2018 £'000
Interest payable and similar charges	4,109	4,097
	<b>4,109</b>	<b>4,097</b>

## 13. PROPERTY, PLANT & EQUIPMENT – HOUSING LAND & BUILDINGS

	Social Housing Properties held for letting £'000	Other Property, Plant & Equipment £'000
<b>Cost</b>		
As at 1 <sup>st</sup> April 2018	141,898	13
Additions during the year – components	6,189	0
Impairments during the year – components	(953)	0
Disposals during the year	(856)	0
<b>At 31<sup>st</sup> March 2019</b>	<b>146,278</b>	<b>13</b>
<b>Depreciation</b>		
As at 1 <sup>st</sup> April 2018	16,501	0
Charge for the year	3,899	1
Impairments during the year	(146)	0
Disposals during the year	(113)	0
<b>At 31<sup>st</sup> March 2019</b>	<b>20,141</b>	<b>1</b>
<b>Net book value</b>		
<b>At 31<sup>st</sup> March 2019</b>	<b>126,137</b>	<b>12</b>
As at 1 <sup>st</sup> April 2018	125,397	13

Major repairs and investment in existing properties to let during the year amounted to £9.581 million. This has been accounted for as follows:

	For the year ended 31 <sup>st</sup> March 2019 Total £'000	For the year ended 31 <sup>st</sup> March 2018 Total £'000
<b>Freehold Property and Land</b>		
Planned maintenance (revenue)	3,392	3,004
Investment (capital)	6,189	6,843
<b>Long Leasehold Property and Land</b>		
Planned maintenance (revenue)	0	263
	<b>9,581</b>	<b>10,110</b>

	For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
	No.	No.
<b>Units in Management:</b>		
General needs housing properties in management	5,891	5,968
General needs housing properties not in management	173	131
Leasehold management services	337	339
	<b>6,401</b>	<b>6,438</b>

#### 14. PROPERTY, PLANT & EQUIPMENT – OTHER FIXED ASSETS

	Office Premises £'000	Vehicles & office equipment £'000	For the year ended 31 <sup>st</sup> March 2018  Total £'000
<b>Cost</b>			
As at 1 <sup>st</sup> April 2018	2,586	1,053	3,639
Additions during the year – components	0	0	0
<b>At 31<sup>st</sup> March 2019</b>	<b>2,586</b>	<b>1,053</b>	<b>3,639</b>
<b>Depreciation</b>			
As at 1 <sup>st</sup> April 2018	950	982	1,932
Charge for the year	132	23	155
<b>At 31<sup>st</sup> March 2019</b>	<b>1,082</b>	<b>1,005</b>	<b>2,087</b>
<b>Net book value</b>			
<b>At 31<sup>st</sup> March 2019</b>	<b>1,504</b>	<b>48</b>	<b>1,552</b>
As at 1 <sup>st</sup> April 2018	1,636	71	1,707

#### 15. SOCIAL HOUSING GRANT & OTHER GOVERNMENT GRANTS

	Social Housing Grant £'000	ARBED/CESP Grant £,000	For the year ended 31 <sup>st</sup> March 2018  Total £'000
At 1 <sup>st</sup> April 2018	16,744	508	17,252
Additions during the year - components	4,200	0	4,200
Impairments during the year – components	(158)	0	(158)
Disposal during the year – components	(114)	0	(114)
<b>At 31<sup>st</sup> March 2019</b>	<b>20,672</b>	<b>508</b>	<b>21,180</b>
<b>Amortisation</b>			
At 1 <sup>st</sup> April 2018	1,107	20	1,127
Charge for the year	626	10	636
Impairments during the year	(16)	0	(16)
Disposals during the year	(10)	0	(10)
<b>At 31<sup>st</sup> March 2019</b>	<b>1,707</b>	<b>30</b>	<b>1,737</b>
<b>Net Book Value</b>			
<b>At 31<sup>st</sup> March 2019</b>	<b>18,965</b>	<b>478</b>	<b>19,443</b>
At 1 <sup>st</sup> April 2018	15,637	488	16,125

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 2019  Total £'000	For the year ended 31 <sup>st</sup> March 2018  Total £'000
<b>Amounts falling due:</b>		
In one year or less	804	671
In more than one year	18,639	15,454
	<b>19,443</b>	<b>16,125</b>



**16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:**

	For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
	£'000	£'000
Arrears of rent, water and service charges	307	196
Less: provision for bad and doubtful debts	(103)	(55)
	<b>204</b>	141
Stock	565	214
Bad Debt Provision - Non Rent Debtors	(197)	(108)
Recoverable VAT	572	460
Debtors	377	313
Prepayments	554	495
Holiday Pay Asset	17	10
Prepaid Loan Facility Fees	52	52
WHQS / VAT Shelter	<b>11,641</b>	12,949
<b>Total debtors due within one year</b>	<b>13,785</b>	14,526

**17. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:**

Prepaid loan facility fees	1,058	1,110
WHQS / VAT Shelter	40,794	54,545
<b>Total debtors due after more than one year</b>	<b>41,852</b>	55,655

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
	£'000	£'000
Accruals and deferred income	304	285
Capital creditors	2	9
Interest Payable & Similar Charges	353	350
Rent In Advance	477	391
Maintenance and other supplies	297	399
Housing Loans	17,500	17,500
Holiday Pay Liability	137	136
WHQS / VAT Shelter	<b>11,641</b>	12,949
	<b>30,711</b>	32,019

**19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
	£'000	£'000
Housing Loans	55,000	55,000
WHQS / VAT Shelter	40,794	54,545
	<b>95,794</b>	109,545
Loans repayable by instalments fall due as follows:		
In five years or more	55,000	55,000
Between two and five years	-	-
	<b>55,000</b>	55,000
In one year or less	17,500	17,500
	<b>72,500</b>	72,500

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 0.50% to 0.74% and £55 million has been drawn down on a fixed rate basis at rates ranging from 1.3% to 4.8%. The loans are secured over the properties held by the Association.

**20. NON-EQUITY SHARE CAPITAL**

	For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
	£	£
Shares of £1 issued:		
At 1 <sup>st</sup> April 2018	659	641
Issued during the year	1	25
Cancelled during the year	(47)	(7)
<b>At 31<sup>st</sup> March 2019</b>	<b>613</b>	659

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 2019	For the year ended 31 <sup>st</sup> March 2018
	£'000	£'000
Motor vehicle and office equipment expiring :-		
Within one year	363	363
Between two and five years	804	1,020
	<u>1,167</u>	<u>1,383</u>
Operating lease expensed during the year	<u>362</u>	<u>334</u>

## 22. CAPITAL COMMITMENTS

	For the year ended 31 <sup>st</sup> March 2019	For the year ended 31 <sup>st</sup> March 2018
	£'000	£'000
Capital expenditure contracted but not provided for in the financial statements	<u>12,567</u>	<u>17,549</u>
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 deficit of £7.051 million has arisen mainly because of continuing major repair expenditure of £3.787 million and routine maintenance of £8.333 million. This combined with the prior year's results and the £4.584 million actuarial deficit on the pension scheme has led to the Association recognising a deficit on its general reserves of £26.810 million. The pension liability of £19.269 million will only crystallise when all employees exit the pension scheme. The funding of major repairs both now and in the future is covered by existing loan facilities' amounting to £105 million of which £72.5 million has been drawn by the year end.

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

## 24. PENSION COSTS

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

### LGPS

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

The most recent valuation was carried out at the 31st March 2016. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. Tai Calon's contribution rate from 1st April 2018 to 31st March 2019 increased to 20.05% of members' contributions due to the closure of the scheme to new entrants. It is projected that employer contributions of £1.226 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 2016	Total Salaries / Pensions £'000 31 <sup>st</sup> March 2016	Average Age 31 <sup>st</sup> March 2016
Actives	239	6,086	50
Deferred Pensioners	73	211	50
Pensioners	54	489	62

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

Payroll	Assumed total pensionable payroll based on information provided
1 <sup>st</sup> April 2018 to 31 <sup>st</sup> March 2019	£5,991,000

LGPS early retirements			
New Early Retirements 1 <sup>st</sup> April 2018 to 31 <sup>st</sup> March 2019	Number	Total Pension Accrued £	Total Pension Actual £
Redundancy	-	-	-
Efficiency	-	-	-
Other	-	-	-

Investment Returns	
The return of the Fund in market value terms for the period to 31 <sup>st</sup> March 2019 is based on actual Fund returns as provided by the Administering Authority. Details are given below:	
Actual Returns from 1 <sup>st</sup> April 2018 to March 2019	5.1%

The major categories of plan assets as a percentage of total plan assets			
Period Ended	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2018	
Equities	76%	78%	
Bonds	20%	18%	
Property	3%	3%	
Cash	1%	1%	

Financial Assumptions		
Period Ended	31 <sup>st</sup> March 2019 % p.a.	31 <sup>st</sup> March 2018 % p.a.
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	2.9%	2.8%
Discount Rate	2.4%	2.7%

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

Changes in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability for the year end 31 <sup>st</sup> March 2019			
Period ended 31 <sup>st</sup> March 2019	Assets £'000	Obligations £'000	Net (liability) / asset £'000
Fair Value of Plan Assets	42,464		42,464
Present Value of funded liabilities		55,887	(55,887)
<b>Opening Position as at 31<sup>st</sup> March 2018</b>	<b>42,464</b>	<b>55,887</b>	<b>(13,423)</b>
<b>Service Cost</b>			
Current service cost		2,336	(2,336)
Past service cost		0	0
<b>Total Service Cost</b>		<b>2,336</b>	<b>(2,336)</b>
<b>Net Interest</b>			
Interest income on plan assets	1,160		1,160
Interest cost on defined benefit obligation		1,534	(1,534)
<b>Total Net Interest</b>	<b>1,160</b>	<b>1,534</b>	<b>(374)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>1,160</b>	<b>3,870</b>	<b>(2,710)</b>
<b>Cashflows</b>			
Plan participants' contributions	397	397	0
Employer contributions	1,448	0	1,448
Benefits paid	(811)	(811)	0
<b>Expected Closing Position</b>	<b>44,658</b>	<b>59,343</b>	<b>(14,685)</b>
<b>Remeasurements</b>			
Changes in financial assumptions		5,619	(5,619)
Return on assets excluding amounts included in net interest	1,035	0	1,035
<b>Total remeasurements recognised in Other Comprehensive Income</b>	<b>1,035</b>	<b>5,619</b>	<b>(4,584)</b>
Fair value of plan assets	45,693	0	45,693
Present value of funded liabilities	0	64,962	(64,962)
<b>Closing Position as at 31<sup>st</sup> March 2019</b>	<b>45,693</b>	<b>64,962</b>	<b>(19,269)</b>



Visit our offices or write to us at:

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

Email us: [talktous@taicalon.org](mailto:talktous@taicalon.org)  
Find us on the web at: [www.taicalon.org](http://www.taicalon.org)

DO YOU NEED A DIFFERENT FORMAT?  
If you would like this report in a  
different language please contact  
customer services on:  
Phone: 0300 303 1717  
Email: [talktous@taicalon.org](mailto:talktous@taicalon.org)  
Text: taicalon to 60030  
followed by your message

