



*at the heart of your community*

# Annual Report and Financial Statements

For the year ended 31st March 2016



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

## Chair's and Chief Executive's Report



We are pleased to introduce the Annual Report and Financial Statements for the financial year 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016.

The year was a challenging one for Tai Calon as it sought to respond to a critical regulatory report and downgraded financial assessment. Consequently, the Board and Executive Team have worked together to deliver significant changes and improvements in governance, financial management and service delivery. As a result, we are pleased to report that a revised Regulatory Opinion has been published which recognises the improvements that have been made over the last six months of the year. Integral to the updated Regulatory Opinion was an upgraded financial assessment to the highest level achievable, providing robust assurance to our key stakeholders on the effectiveness of the organisation's financial and risk management.

Alongside this important work there was a notable milestone reached with the achievement of the Welsh Housing Quality Standard (WHQS). Delivering this was the fundamental promise to tenants at transfer in 2010. The standard was achieved by December 2015 and involved significant levels of investment. In order to maintain the standard and deliver an ambitious programme of window replacements and environmental improvements, there will be continued investment to ensure that tenants have homes and neighbourhoods that they are proud to live in.

Tenant engagement is an area that we will continue to focus on as we are committed to ensuring that tenants are at the heart

of the way in which the organisation is managed and governed, and to take full account of their views when designing and delivering our services. A transparent and open dialogue will be maintained with tenants in pursuit of continuous improvement which will involve comparing our overall performance with that of others, whilst efforts are made to ensure the organisation delivers value for money.

Over the last financial year the number of empty homes has reduced through increased investment and the introduction of more efficient management systems. However, the management of empty homes will continue to be a key priority in the years ahead.



# 4 Annual Report and Financial Statements

For the year ended 31 March 2016

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Whilst, the majority of empty homes are being improved to meet housing need and deliver rental income, some require careful appraisal to ensure any investment in them delivers the right benefits.

Over the period, the Board considered and approved policies and frameworks for financial and risk management. There has also been a review of governance arrangements which has involved a change in board composition and the introduction of Community Housing Cymru's Code of Governance. Alongside this a comprehensive review of spending has been undertaken to achieve financial savings, whilst ensuring that our core strategic aims and objectives are delivered and front line services are improved. A medium term financial plan has been developed to take forward organisational re-structuring, maximise efficiencies and achieve value for money.

The Board and Executive Team are confident that we now have strong governance and strategic and management frameworks in place which provide the organisation with the necessary assurances and clarity on the priorities that we need to address to deliver cost effective and good quality services. This coincides with the appointment of a new permanent Chief Executive, Joe Logan, who can build on the sound foundation created by the Board and the Executive Team over the last year and ensure we become a housing provider, employer and partner of first choice.

There will be many challenges in the years ahead but the renewed confidence and sense of common purpose between the Board and Executive Team now enables Tai Calon to move forward to deliver the support and services that tenants deserve.

We would like to express our thanks to all Board members and employees for their hard work and commitment together with those tenants who get involved in helping us improve what we do and how we do it. Finally, we are grateful for the support and advice received from Welsh Government, Blaenau Gwent County Borough Council, our lenders and the many partners we work with to deliver improved homes, services and neighbourhoods.



**Dr Norma Barry**  
Board Chair



**Peter Cahill**  
Interim Chief Executive

## Background

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



We are a not for profit organisation and Blaenau Gwent's largest social housing provider with 6,130 homes across the County Borough.

To date, we have invested over £120 million in our homes to ensure they were brought up to the Wales Quality Housing Standard (WHQS). We achieved this in December 2015.

# £120 million

invested in improving  
homes since 2010



## Our 2020 Vision is to provide and promote homes and thriving neighbourhoods where people are proud to live.

Our vision and values were updated in 2015 with the launch of the Corporate Plan - '2020 Vision'.

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This plan provides a framework of what we intend to achieve in our second five years, 2015 – 2020. Our business strategy and key performance indicators are aligned to both the 2020 vision and Welsh Government self evaluation requirements.

Over the next five years, we will continue to build on the achievements of the last five years and reaffirm our partnership working between tenants and Tai Calon.

Our vision and values reflect our promise to support tenants, their families, and neighbourhoods so that they thrive and our commitment to keep tenants at the heart of everything we do.

### Our organisational values, which support the achievement of the vision, are:

- Focus on tenants and communities
- Work honestly and transparently
- Show respect and professionalism
- Be excellent
- Improve and innovate
- Involve, listen and learn



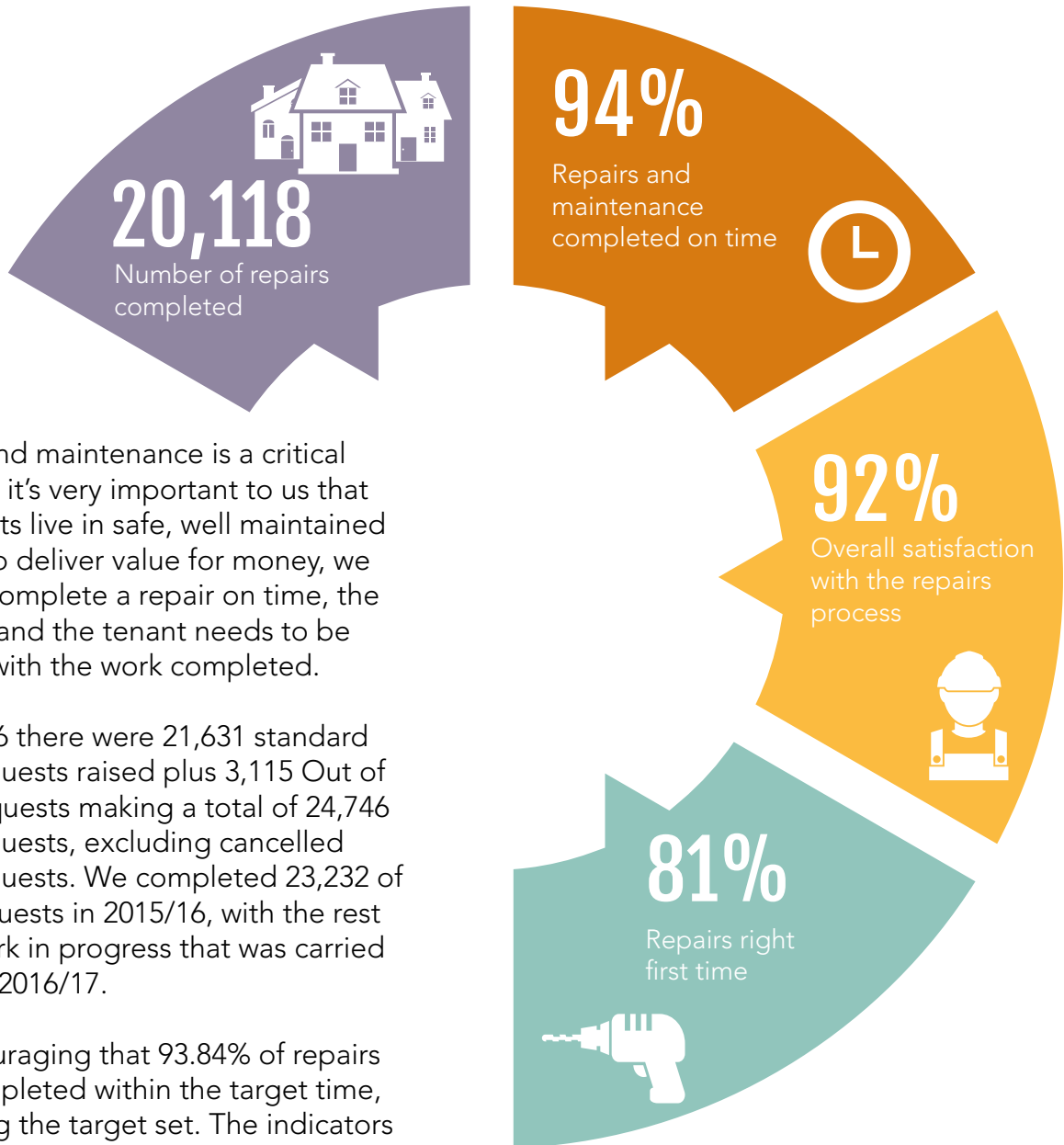
## Operational Performance



We have implemented a performance management framework across the organisation, part of which is the regular monitoring of key performance indicators (KPIs). The KPIs were reviewed during the year and an updated performance management framework put in place.

Key Performance Indicator	Actual 2014/15	Target 2015/16	Actual 2015/16
Repairs completed right first time	85.06%	81.00%	80.66
Overall satisfaction with the repairs process	90%	95.00%	91.55%
Combined repairs completed to time	90.49%	93.80%	93.84%
Current tenant rent arrears as a % of rent owed	1.98%	2.00%	1.29%
Amount of rent collected as a % of rent owed	99.28%	99.00%	100.26%
% of calls answered by Customer Services	95.82%	97.50%	96.82%
Customer Satisfaction with Customer Services	97.78%	95.00%	98.26%
% Income lost as a result of properties being empty	6.03%	4.00%	4.94%
WHQS compliance*	83.22%	100%	100%

\* Achieved December 2015



## Repairs

Repairs and maintenance is a critical service as it's very important to us that our tenants live in safe, well maintained homes. To deliver value for money, we need to complete a repair on time, the first time and the tenant needs to be satisfied with the work completed.

In 2015/16 there were 21,631 standard repair requests raised plus 3,115 Out of Hours requests making a total of 24,746 repair requests, excluding cancelled repair requests. We completed 23,232 of these requests in 2015/16, with the rest being work in progress that was carried over into 2016/17.

It is encouraging that 93.84% of repairs were completed within the target time, exceeding the target set. The indicators for "overall satisfaction with the repairs process" and "repairs completed right first time" both missed their target, with satisfaction with the completed repairs achieving 91.55% against a target of 95% and right first time achieving 80.66%, narrowly missing the target of 81%. In both cases this was due to poor performance in the first two quarters. In the second half of the year performance improved considerably and was above target. It is a priority to build on this performance and further improve tenant satisfaction and right first time performance in 2016/17.

In 2016/17 we will set out our repairs policy and look to address demand by reducing the number of repairs requested. This is both more efficient for us and a better solution for tenants with a greater focus on a planned or preventative approach. We will take forward further service improvements by enhancing the quality of diagnostic information we obtain when tenants contact us.





### Income Collection

Helping tenants to pay rent on time is fundamental to our cash flow and financial viability. It's also the right thing to do. Arrears can be prevented by finding the right payment method that works for the tenant and us. This is a better solution for both parties, less time is spent pursuing arrears and tenants avoid the associated stress and anxiety as a result of being behind with rent payments. As a result of this approach we now have 1,300 tenants paying their rent via direct debit.

We performed very strongly in rent collection in 2015/16. Our net arrears at the end of the financial year were 1.29%. This is considerably ahead of our target of 2% and also an improvement on the performance in 2014/15 at 1.98%. The amount of rent collected as a percentage of rent owed was

**TOTAL RENT  
ARREARS  
1.29%**



also ahead of target at 100.26%, meaning that we collected more rental income than was owed in the year. We reviewed our processes during the year and now focus on earlier involvement with tenants. There is a dedicated rents team with their own areas who really know and understand their tenants and, as a result, maximise rent recovery.

Universal Credit is a significant risk to our income and consequently a key area of focus. Currently, there are very low numbers of tenants who are Universal Credit claimants and payment arrangements and support has been put in place for all of them. Full transition is currently scheduled for 2021 and we have plans in place to manage this transition as the number of tenants who are Universal Credit claimants rise.

In 2016/17 we will continue to build on our strong performance whilst remaining vigilant about the risks to our income such as Universal Credit and the capping of housing benefit to the local housing allowance levels. We will also work on sustaining tenancies, which maintains tenants in their homes, secures our income stream and reduces the costs associated with empty homes.



## Overall Satisfaction with Customer Services

We know the importance tenants place on being able to contact us easily. Our target for calls answered by customer services was 97.5% in 2015/16 and we achieved 96.82% and for seven months of the year we were above target.

Our performance dropped towards the end of the year in conjunction with resourcing difficulties which have now been addressed with the prospect of improved performance in 2016/17.

Satisfaction with customer services was 98.26% for the year. This exceeded the target of 95% and showed an improvement in performance over 2014/15.



In 2016/17 we will be extending contact options for tenants with the launch of the Tai Calon App which can be accessed on smart phones and tablet devices. Whilst we fully expect telephone contact to continue to be a major part of how tenants contact us, the App will allow tenants to view and pay rent, check transactions and, following further development, report repairs.

### Neighbourhoods

We have always sought to provide good quality homes in attractive neighbourhoods. In 2015/16 we introduced a new survey to ask tenants what they thought of where they live. Tenants who contacted us were offered the chance to participate in a telephone survey where they were asked "Do you like living in your neighbourhood?" and over 90% of tenants who responded answered, "Yes". Tenants were also able to leave comments on issues in their neighbourhood. The majority of comments were positive, whilst concerns raised included litter, dog fouling and anti-social behaviour. Our neighbourhood teams are already using

the information from the survey to address such concerns. In 2016/17 we will introduce an App on tablets for our neighbourhood teams to record issues identified during neighbourhood walkabouts and at tenant surgeries.



## Empty Homes

Reducing the number of empty, or void, homes and the time taken to repair and let them was a corporate priority throughout the year. By increased investment and a dedicated team approach we were able to reduce the number of routine empty homes to 190 at the year end compared to 310 at the 1st April 2015. In doing so, we were able to identify a number of homes where an appraisal is required to assess the most effective strategic investment options. Notwithstanding the progress made, income loss from empty homes was below target at 4.94%, albeit an improved position compared to 2014/15 where it reached 6.03%. We will continue to focus on empty homes in 2016/17 to reduce the overall number and correspondingly meet housing need and secure increased rental income.



## Asset Management

In accordance with established criteria the Welsh Housing Quality Standard (WHQS) was achieved during the year and a comprehensive compliance policy submitted to Welsh Government. The Board adopted an Asset Management Framework to guide our investment in homes and ensure that WHQS is maintained going forward. That investment will include a comprehensive window replacement programme and completion of environmental works to improve neighbourhoods throughout the borough over the next five years. We now have in place comprehensive information on properties to assist us in making the right investment decisions and maintaining the long term sustainability of our homes.

## Financial Performance

The 2015/16 financial statements are the first to be prepared under a new accounting standard Financial Reporting Standard (FRS102) and a new Housing Statement of Recommended Practice (SORP 2014).

As such there have been significant changes made to these statements, with new names for the primary statements and updated accounting policies.

Our financial statements for the previous year ended 31st March 2015 have also been restated using these updated standards to allow comparison and the restatement of these balances is set out in the disclosure notes.

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

Further changes have taken place in the method of accounting for our pension deficit and changes to the way that grants are treated such that they are written off to the Statement of Comprehensive Income over the life of the asset.

The net result of these movements is that total reserves as at 31st March 2016 are £36.608 million, a decrease of £10.079 million on the restated balance as at 31st March 2015 of £46.687 million. Total reserves at the year end of £36.609 included a credit of £48.922 million on the revaluation reserve.

The financial result for the year ending 31st March 2016 was a deficit of £10.079 million against a restated figure for the previous year of £12.627 million. The change was mainly driven by changes in accounting for in year pension adjustments offset by increases in interest charges.

The pension deficit for the year ending 31st March 2016 stands at £10.295 million and has increased by £2.632 million as recognised in the Statement of Comprehensive Income.

These accounting changes make the interpretation of the accounts difficult for the reader and the previous years have been restated to aid comparison. The financial statements also include a Statement of Cash Flows which has been set out in accordance with the new 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.

## 2015/16 Financial Statement - Results Summary

### Statement of Comprehensive Income

Restated for FRS102	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000	Movement £'000
Turnover	22,477	21,717	£760
Operating Expenditure	(27,204)	(26,440)	(764)
<b>Operating Deficit</b>	<b>(4,727)</b>	<b>(4,723)</b>	<b>(4)</b>
Sale of Assets	522	439	83
Net Interest	(4,075)	(3,294)	(781)
Pension Deficit Adjustment	(1,799)	(5,049)	3,250
<b>Net Deficit on Comprehensive Income for the year</b>	<b>(10,079)</b>	<b>(12,627)</b>	<b>2,548</b>

Turnover has increased by 3.5% from £21.717 million to £22.477 million which has been driven by the increase in rents as set out in Welsh Government rent policy and changes to property numbers. Our operating deficit is £4.727 million which is £4,000 higher than in 2014/15.

The gross cost of borrowing was £4.084 million, an increase of £780,000 on the previous year. This reflects the additional borrowing that has taken place during the year with our total borrowings increasing from £65 million to £71.5 million at the year end. This additional borrowing was in line with the cash flow deficit covenant as agreed with the funders and helped to support works undertaken to achieve WHQS at the end of 2015.

A further amendment required as part of the introduction of FRS102 is that the asset and liability generated at the point of transfer which led to establishing a 15 year VAT Shelter can no longer be netted off. As such the remaining works to be carried out over this period have been calculated and a total remaining debtor/creditor of £93.277 million generated.

As at the 31st March 2016 the Association has £33.5 million of unutilised funding facility that, subject to annual covenants, it could draw upon alongside cash at the bank and in hand totalling £2.168 million. During the year £20 million of the funding facility was cancelled which generated further efficiencies as non-utilisation fees were reduced. Our debt ratio was 30% at variable and 70% at fixed interest rates which is compliant with our treasury

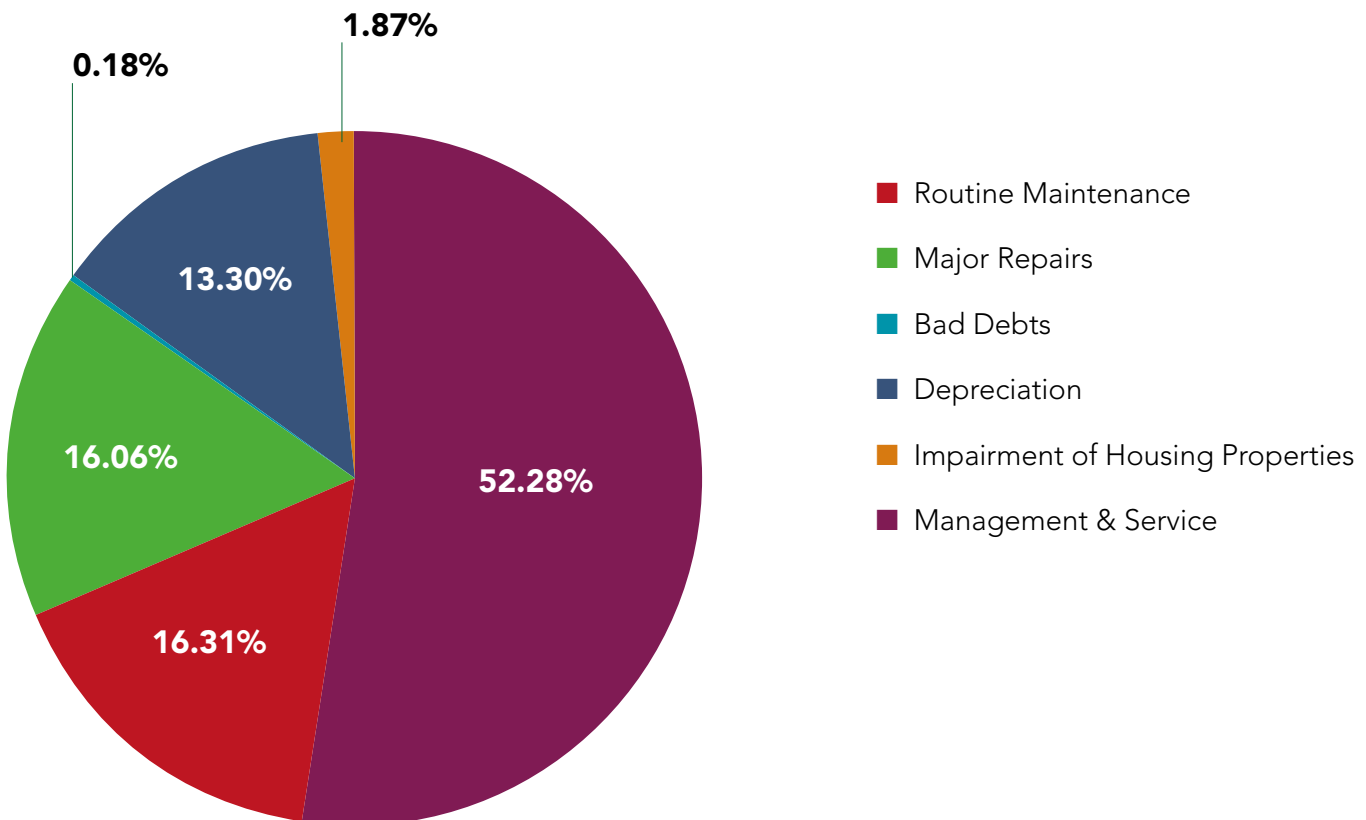
management strategy. Our covenants in respect of cash flow deficit, asset cover and debt per unit were all met.

As part of our annual corporate planning process we have set both our 2016/17 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 scheduled. 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 financial viability judgement. The plan includes a number of key assumptions such as stock condition survey costs, inflation and interest rates, rent increases, the level of empty homes and management costs. These assumptions are regularly reviewed and sensitivity and scenario analysis undertaken. It is pleasing to note a financial viability judgement of a pass has been issued by the regulator with no associated actions identified.

### Analysis of Operating Expenditure 2015/16



## Value for Money

Delivering value for money to tenants is extremely important and underpins and informs all our activities. It is a consideration in all our operational decisions.

Making every pound count drives business improvement and secures the delivery of the best service we can for the level of resources committed.

The Board approved a new Value for Money Framework in March 2016. It reflects the updated vision and values from the 2020 Corporate Plan.

The framework takes account of the needs and expectations of our diverse set of stakeholders, with the principal one being tenants. Each stakeholder has different expectations and priorities, so part of delivering value for money effectively is developing an understanding of what each stakeholder needs.



### There are several tools that we will use to measure Value for Money including:

- Self Evaluation – the annual process where we examine our performance against delivery outcomes set by the Welsh Government
- Tenant engagement and satisfaction surveys - so that we know we are responding to the priorities of the tenants.
- Key Performance Indicators (KPIs) - based around the set of KPIs reported quarterly to the Board.
- Social Return on Investment – so that we capture the social, as well as the financial returns of our activities.
- Value for Money reviews – where we change our processes to improve performance.
- Stock Surveys and Options Appraisal – so that as a landlord we understand and control our stock.
- Benchmarking – to understand our performance relative to other providers.

Value for Money should underpin everything we do and form part of business as usual. An annual Value for Money statement will be produced to collate all of the activity undertaken, results achieved and the outcomes generated. This will be communicated to our tenants and other stakeholders.



## Governance

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 totalled 769.

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.

**At the 2015 Annual General Meeting members voted to amend the composition of the Board to the following:**

- Six independent Board members – selected by the Board and elected at the Annual General Meeting.
- Three tenant Board members – elected by the tenants.
- Three Council appointed Board members who are nominated by Blaenau Gwent County Borough Council.
- Up to three co-opted members may also be on the Board.

That rule change has now been confirmed by the local authority, Welsh Government and the Financial Conduct Authority. At the 2016 Annual General Meeting, the membership will vote on the adoption of the Community Housing Cymru Model Rules, as amended and approved by the Board.



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 every six weeks 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 good governance we have adopted the Code of Governance published by Community Housing Cymru. A full review of our compliance with the Code of Governance has been undertaken by the Performance, Audit and Risk Committee. We have committed to providing additional assurance in respect of compliance in a limited number of areas. These are captured in a Code of Governance Action Plan. An example is strengthening the skills mix of Board members through further training.

The Board recognises the importance of self-evaluation and we have developed an approach which has been piloted with tenants, employees, Board and the Executive Team. The Self Evaluation Framework, approved by Board, will be rolled out during 2016/17 and will be integral to our corporate planning process.

In March 2016, Board approved updated Standing Orders and associated appendices which covered the terms of reference for the Board and other committees as well as role profiles for the Chair and Board members. This was part of an overall reset of the governance arrangements of the Association which

included updated Financial Regulations, Scheme of Delegation and a Procurement Framework.

A Performance, Audit and Risk Committee meets quarterly and is delegated to monitor internal and external audit, risk management and internal controls, fraud and irregularities and reviewing the financial statements. An Executive Appointments and Remuneration Committee, at least once a year, reviews the performance and terms and conditions of the Executive Team.

Following the adverse regulatory report in 2015 we implemented a significant number of improvements in governance, financial management and the delivery of services. As well as the positive Regulatory Opinion, the Association received a positive internal audit report on governance. In conclusion, whilst we acknowledge that further work is required as set out in the Code of Governance Action Plan to secure an improved balance of skills and knowledge, significant improvements have been made and firm foundations established for robust and effective governance.



## Board of Management

### Board members share responsibility for:

- Setting objectives and agreeing the plans to achieve those objectives
- Approving our budget and accounts
- Monitoring our performance against agreed plans and budgets; and
- Making sure that the affairs of the organisation are conducted in a proper manner.

All Board members are volunteers and are governed by the Rules of the organisation.

## 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 recently approved an updated 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 Performance, Audit and Risk Committee which will rely on a number of forms of assurance.

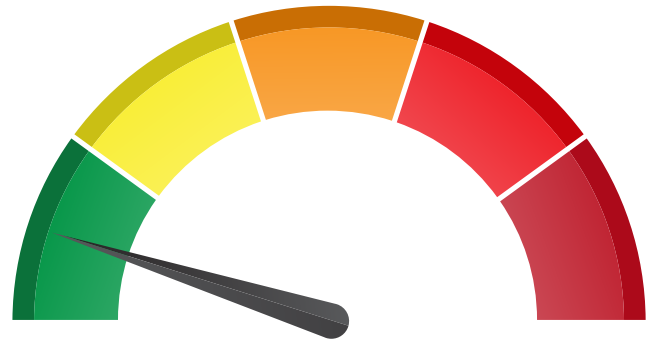
### To do this the Board has taken three steps:

- Identified/reviewed our business objectives, the possible opportunities and the risks and threats to achieving these 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 framework we have implemented is based on the following processes:

- Experienced and suitably qualified staff take responsibility for key processes and decisions, staff are appropriately trained and performance supervised and monitored;
- The Performance, Audit and Risk Committee 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 Performance, 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.



During 2015/16 we have taken steps to strengthen our internal control framework by increased oversight by both the Executive Team and the Performance, Audit and Risk Committee. The number of internal audit recommendations has reduced and the number outstanding are being proactively managed. The internal auditors issued their Statement of Internal Control the overall conclusion of which is that we operate an adequate internal control environment based on the areas they have audited and the scope of those reviews. The Performance, 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.

## Risk

The Board recognise that the management and minimisation of risk is an important part of maintaining a stable and sustainable business. Significant effort in 2015/16 has been made to ensure that our risks are identified, prioritised and that each has a mitigation strategy. The Welsh Government expects that the Board have a thorough understanding of the risks facing us and to be confident that these risks are being managed effectively. In response, both the Performance, Audit and Risk Committee and Board have increased their focus on risk over the last year. The management of risk underpins successful and sustainable delivery of services to tenants.

We have developed both Corporate and Operational Risk Registers. Both documents are underpinned by a Risk Appetite Statement, which establishes our position in relation to tolerating existing risks and our risk appetite in respect of further initiatives or activities. The Risk Appetite is a statement of intent in respect of the management of and attitude to risks and will be revisited and tested annually.



### In summary the position reached is as set out below:

- Our appetite for strategic risk was judged as being cautious. It is recognised that these strategic risks may impact on our ability to achieve our 2020 Vision.
- Our appetite for financial risk was judged as averse, as material financial risks if untreated would pose a significant threat to our viability.
- Our appetite for operational risk was judged as minimalist. It is recognised that to reduce the operational risk environment to a lower risk rating would result in an unacceptable level of additional costs that would not represent value for money in respect of control of the business.
- Our appetite for regulatory (including legal and compliance) risk was judged to be minimalist on the basis that the deployment of resources in this area is already at an appropriate level.
- Lastly our appetite for reputational risk was judged to be cautious. Whilst the impact of reputational risks is significant, there would be more merit in deploying resources to reduce corporate risks generally.

Our risk registers are updated quarterly. Operational risks are managed and updated by Heads of Service for their area, giving team ownership and awareness of risk, and allowing for risks to be identified from the bottom-up. Corporate risks, which affect the whole business, are updated by the Executive Team. In both cases risks are categorised by their severity and their

likelihood to take place; and given an overall grading. Mitigating actions are then identified; and the severity is reassessed after mitigation. This process ensures there is regular discussion of risk through all levels of the business.

The Corporate Risk Register is presented and reviewed by the Performance, Audit and Risk Committee quarterly. The Committee's role is to ensure that risks have been identified and analysed and that the greatest threats have been addressed. It also performs a 'deep dive' where necessary on specific risks to provide assurance that they are being managed

effectively. On an annual basis, the Committee reviews the approach to risk and identifies changes where necessary; as well as providing a recommendation to the Board on our current appetite to risk. Risk is discussed and assessed internally on a quarterly basis, with scrutiny and guidance provided.

Our approach to risk is contained in the updated Risk Management Policy. The policy is designed to ensure that risk is managed and that all levels of the business are aware of their role in controlling risk. In this way it assists in embedding risk management and so it becomes part of the way we work.



## Statement of Board Responsibilities

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

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 32 to 35; and then apply it on a consistent basis, making judgements and estimates that are prudent and reasonable. They must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

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

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

### In so far as the Board is aware:

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



Approved on behalf of the Board by:

*Norma Barry*

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

Date: July 25th 2016

## Board Members

### Tenant Board Members

Michael Rose (until July 2015)  
 Ellen Jones  
 Roy Jones (until June 2015)  
 Margaret Retallick (until July 2015)  
 Shirley Ford (until February 2016)  
 Delwyn Francis (Appointed September 2015)  
 Tommy Smith (Appointed September 2015)  
 Beverley Lucas (Appointed September 2015)

### Council Board Members

Jim McIlwee (Appointed May 2015)  
 Diane Rowberry (until May 2015)  
 Keren Bender  
 Tim Sharrem  
 Keith Chaplin (until January 2016)  
 Bernard Willis (until October 2015)

### Independent Board Members

Dr Norma Barry (chair)  
 Fred Davies (vice chair)  
 Nigel Perring  
 Steve Porter (until June 2015)  
 Mark Perry  
 Katherine Howells (Appointed June 2015)

### Co-opted Board Members

Steve Higginson  
 Keith Edwards

### Executive Officers

Jen Barfoot – Chief Executive (until June 2015)  
 Peter Cahill – Interim Chief Executive from August 2015  
 Martyn Price – Interim Director of Finance  
 (until August 2015)  
 & Company Secretary (until March 2016)  
 Marcia Sinfield – Director of Finance  
 (Appointed August 2015)  
 & Company Secretary (Appointed March 2016)  
 Bill Pearch – Director of Assets & Property  
 (until June 2015)  
 Paul Davies – Director of Property & Assets  
 (Appointed June 2015)  
 Andrew Myatt – Director of Communities & Housing  
 Liz Rogers – Director of Organisational Development,  
 HR and I.T.



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<b>Registered Office</b>	Solis One, Rising Sun Industrial Estate, Blaina, NP13 3JW	
<b>External Auditors</b>	Haines Watts Wales LLP Statutory Auditors, 7 Neptune Court, Vanguard Way, Cardiff, CF24 5PJ	
<b>Internal Auditors</b>	Service Matters, Orbit Housing Group Limited, Garden Court, Harry Weston Road, Binley Business Park, Coventry, CV3 2SU	
<b>Bankers</b>	Barclays Bank, Windsor Court, 3 Windsor Place, Cardiff, CF10 3ZL	
<b>Funders</b>	The Royal Bank of Scotland Plc Housing Finance 7th Floor, 135 Bishopsgate London EC2M 3UR	Barclays Bank Windsor Court 3 Windsor Place Cardiff CF10 3ZL

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# Independent Auditor's Report

to the Members of Tai Calon Community Housing Ltd.

## Year ended 31st March 2016

We have audited the financial statements of Tai Calon Community Housing ('the Association') for the year ended 31st March 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members, as a body corporate, in accordance with the requirements of the Co-operative and Community Benefit Society Act 2014, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales - General Determination 2015. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board and the auditor

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

We review whether the Board's statement on internal financial control reflects the Association's compliance with the Housing for Wales Circular HFW 02/10 "Internal controls and reporting" and we report whether the statement is not inconsistent with the information of which we are aware from our audit of the financial statements. We are not required to form an opinion on the effectiveness of the Association's corporate governance procedures or its internal financial control.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition,

we read all the financial and non-financial information in the Board report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on Internal Control

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

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

### Opinion on financial statements

**In our opinion the financial statements:**

- give a true and fair view of the state of the Association's affairs as at 31st March 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Society Act 2014, schedule 1 to the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales - General Determination 2015;

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

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

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

### Haines Watts Wales LLP Statutory Auditor

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

*Haines Watts Wales LLP*

Date: 27th July 2016



## Statement of Comprehensive Income

for the Year Ended 31 March 2016 - Restated for FRS102

	Notes	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Turnover	3	22,477	21,717
Operating costs	3	(27,204)	(26,440)
Operating surplus / (deficit)		(4,727)	(4,723)
Surplus on sale of fixed assets	6	522	439
Interest receivable		9	10
Interest payable and similar charges	11	(4,084)	(3,304)
<b>Surplus / (Deficit) on ordinary activities before taxation</b>		<b>(8,280)</b>	<b>(7,578)</b>
Taxation		-	-
<b>Surplus / (Deficit) for the year after tax</b>		<b>(8,280)</b>	<b>(7,578)</b>
Changes in pension past service deficit contribution liability on revaluation		<b>(1,799)</b>	(5,049)
Total Comprehensive income for the year		<b>(10,079)</b>	(12,627)

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

## Statement of Changes in Reserves

for the Year Ended 31 March 2016 - Restated for FRS102

	Income & Expenditure Reserve £'000	Revaluation Reserve £'000	Total Reserve £'000
At 1 April 2015 (as previously reported)	(16,147)	0	(16,147)
Prior Year Adjustments	13,267	49,567	62,834
<b>At 1 April 2015 (restated)</b>	<b>(2,880)</b>	<b>49,567</b>	<b>46,687</b>
Deficit from Comprehensive Income	(10,079)	0	(10,079)
Transfer from Revaluation Reserve	645	(645)	0
<b>At 31 March 2016</b>	<b>(12,314)</b>	<b>48,922</b>	<b>36,608</b>

## Statement Of Financial Position as at 31 March 2016 - Restated For FRS102

	Notes	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
<b>Non Current Assets/Fixed Assets</b>			
<b>Property, Plant &amp; Equipment</b>			
Social Housing properties	13	121,562	120,066
Other Property, Plant & Equipment	13	11	5
Other Fixed Assets	14	1,975	2,146
		<b>123,548</b>	122,217
<b>Current assets</b>			
Debtors			
Amounts falling due within one year	16	11,915	11,604
Amounts falling due after one year	17	83,892	94,544
Cash at bank and in hand		2,168	1,481
		<b>97,975</b>	107,629
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	(33,549)	(32,799)
Social Housing Grant and Other Grants: amounts falling due within one year	15	(293)	(77)
		<b>64,133</b>	74,753
<b>Net current assets</b>		<b>(10,295)</b>	(7,663)
LGPS pension liability	26		
		<b>177,386</b>	189,307
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	19	(132,677)	(138,277)
Social Housing Grant and Other Grants: amounts falling due after one year	15	(8,100)	(4,342)
		<b>36,609</b>	46,688
<b>Total net assets</b>			
<b>Capital and reserves</b>			
Share capital	20	1	1
Income & Expenditure Reserve	21	(12,314)	(2,880)
Revaluation Reserve		48,922	49,567
		<b>36,609</b>	46,688
<b>Total capital and reserves</b>			

The financial statements were approved by the Board of Management on 25th July 2016 and signed on its behalf by:

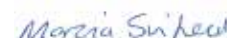
Dr N Barry  
Chair



F Davies  
Vice Chair



M Sinfield  
Secretary



**Statement of Cash Flows**

for the Year Ended 31 March 2016 - Restated for FRS102

Notes	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
<b>Operating Surplus</b>	<b>(4,727)</b>	<b>(4,723)</b>
Adjustments for non cash items		
Depreciation of tangible fixed assets	<b>3,599</b>	3,265
Impairment of tangible fixed assets	<b>508</b>	0
Government grants utilised in the year	<b>(216)</b>	(82)
<b>Working capital movements</b>		
(Increase) / decrease in debtors	<b>10,338</b>	159
Decrease/ (increase) in operating creditors	<b>(10,894)</b>	484
(Decrease) / increase in provisions	<b>(49)</b>	68
Pension deficit cash contributions paid	<b>833</b>	455
<b>Net cash generated from operating activities</b>	<b>(608)</b>	<b>(374)</b>
Interest received	<b>9</b>	10
Interest paid	<b>(4,067)</b>	(3,224)
Prepaid loan fees	<b>52</b>	52
<b>Adjustment for reinvesting in existing activities:</b>		
Purchase of other fixed assets	<b>(55)</b>	0
Component replacement	<b>(6,104)</b>	(24,100)
<b>Free cash generated / (consumed) before loan repayments</b>	<b>(10,773)</b>	<b>(27,636)</b>
Loans repaid	<b>(5,000)</b>	(14,000)
<b>Free cash generated / (consumed) after loan repayments</b>	<b>(15,773)</b>	<b>(41,636)</b>
<b>Cash flow from investing activities</b>		
Proceeds from the sale of properties and other fixed assets	<b>760</b>	553
Grants received	<b>4,200</b>	4,519
<b>Cash flow from financing activities</b>		
New secured loans and drawdowns from existing revolving credit facilities	<b>11,500</b>	36,000
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>687</b>	<b>(564)</b>
Cash and cash equivalents at the beginning of the year	<b>1,481</b>	2,045
Cash and cash equivalents at the end of the year	<b>2,168</b>	1,481

## Notes to the Financial Statements for the Year Ended 31 March 2016 - Restated for FRS102

### 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

After reviewing the forecasts and projections the Board has a reasonable expectation that there are adequate resources to continue for the foreseeable future. The consolidated financial statements have therefore been prepared on a going concern basis.

#### Adoption of the Housing SORP 2014

During the year, 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.

All results for the year ended 31st March 2016 are stated in accordance with these accounting standards and the comparative

financial information presented for the year ended 31st March 2015 has been fully restated to reflect the same accounting treatment. The changes in accounting policies as a result of the introduction of the SORP 2014 have given rise to prior year adjustments to the financial position of the Association. Note 24 provides details of the adjustments made to these signed statements for the year ended 31st March 2015 which were originally presented under Housing SORP 2010 and the restated comparatives included in these financial statements.

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

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

Where a change has been made to an accounting policy as part of the Housing SORP 2014 and the transition to FRS102 this is detailed below in the relevant accounting policy.

#### Turnover

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



## Notes to the Financial Statements for the Year Ended 31 March 2016 - Restated for FRS102

### Housing properties

Housing properties are held at historic cost less depreciation.

Prior to the introduction of FRS102 properties were stated at nil valuation as they transferred from Blaenau Gwent County Borough Council at nil cost and were also subject to a nil valuation. Historic cost for capital works undertaken since the point of transfer was then included on the Statement of Financial Position at historic cost less depreciation.

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

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

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

the depreciated cost, and any associated costs of disposal such as valuation and legal fees.

### 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

## Notes to the Financial Statements for the Year Ended 31 March 2016 - Restated for FRS102

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

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

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

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

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

### Grants and Amortisation

Tai Calon received financial assistance from the Welsh Government to fund set up costs relating to the transfer of the housing stock from Blaenau Gwent County Borough Council and to fund the refurbishment work required to meet the WHQS. Further financial

assistance of £8.4 million has been offered until 2018 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.

Prior to the introduction of the Housing SORP 2014 capital grants were amortised against fixed assets. This has now changed and 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.

## Notes to the Financial Statements for the Year Ended 31 March 2016 - Restated for FRS102

### 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 Councils expense. Tai Calon is entitled to reclaim VAT on the costs incurred in meeting the WHQS as detailed in the Development Agreement.

Due to the adoption of FRS 102/SORP 2014 the Association has for the first time been 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 Financial Reporting Standard 102.

### Revaluation Reserve

Housing Land & Buildings have been revalued at the 31st March 2014 based on the basis of deemed costs. The valuation based on deemed cost has resulted in a Revaluation Reserve of £49.917 million being created. Depreciation of the 'Deemed Costs' assets will be funded from the Revaluation Reserve.

## Notes to the Financial Statements

for the Year Ended 31 March 2016 - Restated for FRS102

### 3. Turnover, operating costs and deficit

	Year Ended 31 March 2016			Year ended 31 March 2015		
	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	22,027	(26,958)	(4,931)	21,069	(26,106)	(5,037)
<b>Fully rented housing accommodation</b>	<b>22,027</b>	<b>(26,958)</b>	<b>(4,931)</b>	21,069	(26,106)	(5,037)
Garages	34	0	34	33	0	33
Other activities	416	(246)	170	615	(334)	281
<b>Total</b>	<b>22,477</b>	<b>(27,204)</b>	<b>(4,727)</b>	21,717	(26,440)	(4,723)

### 4. Turnover from lettings

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
<b>General Needs and Sheltered Housing</b>		
Rents receivable	21,246	20,404
Service charges receivable	393	382
Income for Support Services	82	112
Amortisation of Social Housing Grant & Other Government Grants	216	82
Other Revenue Grants	90	89
<b>Turnover from Social Housing Lettings</b>	<b>22,027</b>	21,069

## Notes to the Financial Statements

### for the Year Ended 31 March 2016 - Restated for FRS102

#### 5. Operating costs from lettings

	General Needs and Sheltered Housing £'000	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
General needs housing			
Management costs	14,222	14,222	13,848
Service Charge Cost	-	-	-
Routine Maintenance	4,437	4,437	5,615
Major Repairs Expenditure	4,369	4,369	3,599
Bad Debts	49	49	102
Depreciation of housing properties	3,373	3,373	2,942
Impairment of housing properties	508	508	0
<b>Operating costs on social housing activities</b>	<b>26,958</b>	<b>26,958</b>	<b>26,106</b>
<b>Operating Surplus / (Deficit) on social housing lettings</b>	<b>(4,931)</b>	<b>(4,931)</b>	<b>(5,037)</b>
Rent losses due to voids (memorandum note)	1,196	1,196	1,353

#### 6. Surplus on sale of fixed assets

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Sale proceeds	781	571
Cost of sales	(259)	(132)
<b>Surplus on disposal</b>	<b>522</b>	<b>439</b>

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

## Notes to the Financial Statements

### for the Year Ended 31 March 2016 - Restated for FRS102

#### 7. Impairment

Impairments totalling £507,000 are reflected in the accounts in notes 13 and 15. During 2015/16 82 long term voids have been removed from the rent roll. An options appraisal will be undertaken on these properties in 2016/17 to assess their long term viability.

#### 8. Operating deficit for the year

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Operating surplus / (deficit) for the year is stated after charging:		
Depreciation	3,599	2,555
Amortisation	216	82
Operating leases – Other	246	251
Bad Debts	49	102
Auditor's remuneration (inclusive of VAT): in their capacity as auditors	14	11

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

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

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Emoluments (including pension contributions and benefits in kind)*	455	366
Emoluments (excluding pension contributions) paid to the highest paid senior executive	128	96

\*The emoluments include payments for loss of office of £50,000.

The Chief Executive was a member of the LGPS pension scheme and no enhanced or special terms apply. The Association's contribution in respect of the Chief Executive's pension fund amounted to £3,474. Tai Calon did not make any further contribution to any individual pension arrangement for the Chief Executive.

An interim Chief Executive was appointed in August 2015, the post was contract based and no remuneration was paid other than contract fees. These contract fees are not included in the above figures.

## Notes to the Financial Statements

### for the Year Ended 31 March 2016 - Restated for FRS102

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

	2016 No.	2015 No.
£nil		
<b>£1 - £50,000</b>		
£50,001 - £60,000		
<b>£60,001 - £70,000</b>	1	2
£70,001 - £80,000	3	2
<b>£80,001 - £90,000</b>		
£90,001 - £100,000	1	1
<b>£100,001 - £110,000</b>		
£110,001 - £120,000		
<b>£120,001 - £130,000</b>		

## 10. Employee and employer costs

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Staff costs during the year:		
Wages and Salaries	7,312	7,367
Social security costs	530	528
Other pension costs	1,745	1,380
	<b>9,587</b>	9,275

	For the year ended 31 March 2016 No.	For the year ended 31 March 2015 No.
Average number of full time equivalent employees during the year:		
Management and administration	139	139
Wardens, caretakers and cleaners	18	22
Housing repair service	111	112
	<b>268</b>	273

## Notes to the Financial Statements

### for the Year Ended 31 March 2016 - Restated for FRS102

#### 11. Interests and related party transactions

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

#### 12. Interest payable and similar charges

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Interest payable and similar charges	4,084	3,304
	<b>4,084</b>	3,304



## Notes to the Financial Statements

for the Year Ended 31 March 2016 - Restated for FRS102

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

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

	Social Housing Properties Held for letting £'000	Other Property, Plant & Equipment £'000
Cost		
As at 1 April 2015 (previously stated)	76,299	5
Prior Year Adjustments	49,917	0
<b>As at 1 April 2015 (restated)</b>	<b>126,216</b>	<b>5</b>
Additions during the year – components	5,625	6
Impairments during the year – components	(568)	0
Disposals during the year	(260)	0
<b>At 31 March 2016</b>	<b>131,013</b>	<b>11</b>
<b>Depreciation</b>		
As at 1 April 2015 (previously stated)	4,160	0
Prior Year Adjustments	1,990	0
<b>As at 1 April 2015 (restated)</b>	<b>6,150</b>	<b>0</b>
Charge for the year	3,373	0
Impairments during the year	(50)	0
Disposals during the year	(22)	0
<b>At 31 March 2016</b>	<b>9,451</b>	<b>0</b>
<b>Net book value</b>		
<b>At 31 March 2016</b>	<b>121,562</b>	<b>11</b>
As at 1 April 2015	120,066	5

## Notes to the Financial Statements

### for the Year Ended 31 March 2016 - Restated for FRS102

Major repairs and investment in existing properties to let during the year amounted to £9.994 million. This has been accounted for as follows:

	<b>For the year ended 31 March 2016 Total £'000</b>	For the year ended 31 March 2015 Total £'000
<b>Freehold Property and Land</b>		
Planned maintenance (revenue)	4,369	3,582
Investment (capital)	5,625	22,331
<b>Long Leasehold Property and Land</b>		
Planned maintenance (revenue)	0	17
	<b>For the year ended 31 March 2016 £'000</b>	For the year ended 31 March 2015 £'000
<b>Units in Management:</b>	<b>No.</b>	<b>No.</b>
General needs housing properties in management	6,130	6,149
Leasehold management services	339	339
	<b>6,469</b>	6,488

**Notes to the Financial Statements**

for the Year Ended 31 March 2016 - Restated for FRS102

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

	Offices premises £'000	Vehicles & office equipment £'000	For the year ended 31 March 2016 Total £'000
<b>Cost</b>			
As at 1 April 2015 (previously stated)	2,586	955	3,541
Prior Year Adjustments	0	0	0
<b>As at 1 April 2015 (restated)</b>	<b>2,586</b>	<b>955</b>	<b>3,541</b>
Additions during the year – components	0	55	55
<b>At 31 March 2016</b>	<b>2,586</b>	<b>1,010</b>	<b>3,596</b>
<b>Depreciation</b>			
As at 1 April 2015 (previously stated)	554	841	1,395
Prior Year Adjustments	0	0	0
<b>As at 1 April 2015 (restated)</b>	<b>554</b>	<b>841</b>	<b>1,395</b>
Charge for the year	132	94	226
<b>At 31 March 2016</b>	<b>686</b>	<b>935</b>	<b>1,621</b>
<b>Net book value</b>			
<b>At 31 March 2016</b>	<b>1,900</b>	<b>75</b>	<b>1,975</b>
As at 1 April 2015	2,032	114	2,146

## Notes to the Financial Statements

### for the Year Ended 31 March 2016 - Restated for FRS102

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

	Social Housing Grant £'000	ARBED/CESP Grant £'000	For the year ended 31 March 2016 Total £'000
At 1 April 2015 (as previously stated)	16,399	2,992	19,391
Prior Year Adjustments	(12,206)	(2,684)	(14,890)
<b>At 1 April 2015 (restated)</b>	<b>4,193</b>	<b>308</b>	<b>4,501</b>
Additions during the year - components	4,200	0	4,200
Impairments during the year	(10)	0	(10)
At 31 March 2016	8,383	308	8,691
<b>Amortisation</b>			
At 1 April 2015 (as previously stated)	0	0	0
Prior Year Adjustments	78	4	82
<b>At 1 April 2015 (restated)</b>	<b>78</b>	<b>4</b>	<b>82</b>
Charge for the year	210	6	216
Impairments during the year	0	0	0
At 31 March 2016	288	10	298
<b>Net Book Value At 31 March 2016</b>	<b>8,095</b>	<b>298</b>	<b>8,393</b>
At 1 April 2015	4,115	304	4,419

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

The grants are amortised as follows:

	For the year ended 31 March 2016 Total £'000	For the year ended 31 March 2015 Total £'000
<b>Amounts falling due:</b>		
In one year or less	293	77
In more than one year	8,100	4,342
	<b>8,393</b>	<b>4,419</b>

## Notes to the Financial Statements

for the Year Ended 31 March 2016 - Restated for FRS102

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

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Arrears of rent, water and service charges	281	425
Less: provision for bad and doubtful debts	(120)	(169)
	<b>161</b>	256
Staff car loans	0	1
Bad Debt Provision - Non Rent Debtors	(53)	(37)
Recoverable VAT	536	267
Debtors and prepayments	605	1,022
Holiday Pay Asset	14	49
Prepaid Loan Facility Fees	52	52
WHQS / VAT Shelter	10,600	9,994
<b>Total debtors due within one year</b>	<b>11,915</b>	11,604

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

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Prepaid loan facility fees	1,215	1,267
WHQS / VAT Shelter	82,677	93,277
<b>Total debtors due after more than one year</b>	<b>83,892</b>	94,544

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

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Accruals and deferred income	655	1,801
Capital creditors	36	509
Interest Payable & Similar Charges	335	318
Rent In Advance	145	54
Maintenance and other supplies	140	9
Housing Loans	21,500	20,000
Holiday Pay Liability	138	114
WHQS / VAT Shelter	10,600	9,994
<b>Total creditors due within one year</b>	<b>33,549</b>	32,799

## Notes to the Financial Statements

### for the Year Ended 31 March 2016 - Restated for FRS102

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

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Housing Loans	50,000	45,000
WHQS / VAT Shelter	82,677	93,277
	<b>132,677</b>	138,277
Loans repayable by instalments fall due as follows:		
In five years or more	50,000	45,000
Between two and five years	-	-
	<b>50,000</b>	45,000
In one year or less	21,500	20,000
	<b>71,500</b>	65,000

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. £21.5 million has been drawn down on a variable rate basis at rates ranging from 0.5% to 0.7% and £50 million has been drawn down on a fixed rate basis at rates ranging from 4.5% to 4.8%. The loans are secured over the properties held by the Association.

#### 20. Non-equity share capital

	For the year ended 31 March 2016	For the year ended 31 March 2015
Shares of £1 issued:		
At 1st April 2015	796	835
Issued during the year	4	2
Cancelled during the year	(31)	(41)
<b>At 31 March 2016</b>	<b>769</b>	796

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

## Notes to the Financial Statements

for the Year Ended 31 March 2016 - Restated for FRS102

### 21. Income and Expenditure Reserve

	General Reserve £'000	Designated Reserve £'000	Total Income and Expenditure Reserve £'000
At 1 April 2015 (as previously reported)	(17,372)	1,225	(16,147)
Prior year adjustment	13,267	0	13,267
At 1 April 2015 (restated)	(4,105)	1,225	(2,880)
Deficit from Comprehensive Income	(10,079)	0	(10,079)
Transfer to designated reserve	(237)	237	0
Transfer from revaluation reserve	645	0	645
<b>At 31 March 2016</b>	<b>(13,776)</b>	<b>1,462</b>	<b>(12,314)</b>

### 22. Operating leases

At 31 March 2016 Tai Calon had commitments under operating leases as follows:

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Motor vehicle and office equipment expiring :-		
Within one year	111	71
Between two and five years	-	-
	111	71
Operating lease expensed during the year	246	251

### 23. Capital commitments

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Capital expenditure contracted but not provided for in the financial statements	2,594	4,978
Capital expenditure authorised by the Board but not contracted	-	-

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

## Notes to the Financial Statements

### for the Year Ended 31 March 2016 - Restated for FRS102

The Association adopted FRS102 with a transition date of 1 April 2014, representing the earliest period which comparative information has been provided in these (first) financial statements produced in accordance with the new standard.

The impact of the transition is as follows:

<b>Reconciliation of Reserves at 1 April 2014</b>	<b>£'000</b>
Reserves at 31 March 2014 under previous UK GAAP	(4,518)
'Deemed Cost' increase in Property, Plant & Equipment	49,917
'Deemed Cost' grant treatment on Performance Method	14,911
'Deemed Cost' adjusted depreciation charge	(930)
Holiday Pay restatement	(65)
<b>Reserves at 31 March 2014 under FRS102</b>	<b>59,315</b>
<b>Reconciliation of Reserves at 31 March 2015</b>	<b>£'000</b>
Reserves at 31 March 2015 under previous UK GAAP	(16,147)
'Deemed Cost' increase in Property, Plant & Equipment	49,567
'Deemed Cost' grant treatment on Performance Method	14,890
'Deemed Cost' adjusted depreciation charge	(1,640)
'Transfer of Assets' asset	103,271
'Transfer of Assets' liability	(103,271)
Holiday Pay restatement	(65)
Amortisation of Grant	82
<b>Reserves at 31 March 2015 under FRS102</b>	<b>46,687</b>

The following were changes in accounting policies arising from the transition to FRS102

#### Housing Land

Housing Land & Buildings have been revalued at the 31st March 2014 based on the basis of deemed costs. All Governments Grants received to 31st March 2014 have been taken to the Consolidated Statement of Comprehensive Income. The valuation based on deemed cost has resulted in the property assets increasing by £49.917 million, resulting in a corresponding Revaluation Reserve of £49.917 million.

#### Government Grants

Government grants (including Social Housing grant) now appear within creditors, having previously been set against the cost of the assets they were used to partially fund.

#### Transfer of Assets

Due to the adoption of FRS 102/SORP 2014 the Association has for the first time been required to show the separate elements of the outstanding amounts relating to the original transfer of assets.

As detailed above and shown in notes 16/17/18/19 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.



## Notes to the Financial Statements

### for the Year Ended 31 March 2016 - Restated for FRS102

#### Holiday Pay Restatement

Holiday Pay assets and liabilities have been created as a result of the adoption of FRS102/SORP 2014 as detailed in notes 16 and 18 above.

#### Reconciliation of Statement of Comprehensive Income for the year ended 31 March 2015

##### (Deficit) / Surplus for the year ended 31 March 2015 under previous UK GAAP

Liability for past service pension deficit	£'000 (5,049)
Restatement of pension deficit under FRS102	(453)
'Deemed Cost' adjusted depreciation charge	(1,059)
'Deemed Cost' grant treatment on Performance Method	(21)
Amortisation of Grant	82
<b>Reserves at 31 March 2015 under FRS102</b>	<b>(12,627)</b>

The following were changes in accounting policies arising from the transition to FRS102

#### Housing Land

Housing Land & Buildings have been revalued at the 31st March 2014 based on the basis of deemed costs. All Governments Grants received to 31st March 2014 have been taken to the Consolidated Statement of Comprehensive Income. The valuation based on deemed cost has resulted in increased depreciation of £1.059 million in 2014/15.

#### Government Grants

Under previous UK GAAP, Government grants were set against buildings and the components with the depreciation charge being shown as net against the assets. Under the 2014 Housing SORP, grants previously set against assets have been transferred to creditors and are amortised over the life of the asset, leading to an amortisation credit to the Statement of Comprehensive Income.

## 25. Statement of Comprehensive Income Deficit

This year's deficit of £10.079 million has arisen mainly because of continuing major repair expenditure of £4.369 million. This combined with the prior year's results and the £1.799 million actuarial deficit on the pension scheme has led to the Association recognising a deficit on its general reserves of £12.314 million. The pension liability of £10.295 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 £71.5 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 £14 million less than originally planned. For these reasons the going concern basis has been adopted for these financial statements

## Notes to the Financial Statements

### for the Year Ended 31 March 2016 - Restated for FRS102

#### 26. 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 2015 to 31st March 2016 was 14.2% of members' contributions. It is projected that contributions of £910,000 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:

**Notes to the Financial Statements**

for the Year Ended 31 March 2016 - Restated for FRS102

Employer membership statistics	Number 31 March 2013	Total Salaries / Pensions £'000 31 March 2013	Average Age 31 March 2013
Actives	233	5,634	45
Deferred Pensioners	21	85	44
Pensioners	21	209	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 April 2015 to 31 March 2016	£6,119,000

LGPS early retirements			
New Early Retirements 1 April 2015 to 31 March 2016	Number	Total Pension Accrued £	Total Pension Actual £
Redundancy	-	-	-
Efficiency	-	-	-
Other	6	52,951	52,951

Investment Returns	
The return of the Fund in market value terms for the period to 31 March 2016 is based on actual Fund returns as provided by the Administering Authority. Details are given below:	
Actual Returns from 1 April 2015 to March 2016	(2.7%)

The major categories of plan assets as a percentage of total plan assets		
Period Ended	31 March 2016	31 March 2015
Equities	79%	77%
Bonds	17%	16%
Property	3%	3%
Cash	1%	4%

Financial Assumptions		
Period Ended	31 March 2016 % p.a.	31 March 2015 % p.a.
Pension Increase Rate	2.2%	2.1%
Salary Increase Rate	3.7%	3.6%*
Discount Rate	3.5%	3.4%

\*Salary increases are assumed to be 1% p.a. until 31 March 2016 reverting to the long term assumption shown thereafter.

## Notes to the Financial Statements

for the Year Ended 31 March 2016 - Restated for FRS102

Mortality			
		Male	Female
Current Pensioners		23.0 years	25.4 years
Future Pensioners		25.2 years	27.8 years

Changes in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability for the year end 31 March 2016			
Period ended 31 March 2016	Assets £'000	Obligations £'000	Net (liability) / asset £'000
Fair Value Plan Assets	31,781		31,781
Present Value of funded liabilities		39,444	(39,444)
<b>Opening Position as at 31 March 2015</b>	<b>31,781</b>	<b>39,444</b>	<b>(7,633)</b>
<b>Service Cost</b>			
Current service cost		1,505	(1,505)
Past service cost		66	(66)
<b>Total Service Cost</b>		<b>1,571</b>	<b>(1,571)</b>
<b>Net Interest</b>			
Interest income on plan assets	1,088		1,088
Interest cost on defined benefit obligation		1,358	(1,358)
<b>Total Net Interest</b>	<b>1,088</b>	<b>1,358</b>	<b>(270)</b>
<b>Total defined benefit cost recognised in Profit or (Loss)</b>	<b>1,088</b>	<b>2,929</b>	<b>(1,841)</b>
<b>Cashflows</b>			
Plan participants' contributions	417	417	0
Employer contributions	1,008		1,008
Benefits paid	(971)	(971)	0
<b>Expected Closing Position</b>	<b>33,323</b>	<b>41,819</b>	<b>(8,496)</b>
<b>Remeasurements</b>			
Changes in financial assumptions		7	(7)
Other experience		(170)	170
Return on assets excluding amounts included in net interest	(1,962)		(1,962)
<b>Total remeasurements recognised in Other Comprehensive Income</b>	<b>(1,962)</b>	<b>(163)</b>	<b>(1,799)</b>
Fair value of plan assets	31,361		31,361
Present value of funded liabilities		41,656	(41,656)
<b>Closing Position as at 31 March 2016</b>	<b>31,361</b>	<b>41,656</b>	<b>(10,295)</b>







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