

Financial Statements
For year ended
31 March 2017



CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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CARTREFI CYMUNEDOL GWYNEDD CYF

BOARD MEMBERS AND PROFESSIONAL ADVISORS

BOARD MEMBERS

Medwyn Hughes (Chair; Resigned May 2017)
Mark Jones (Vice Chair to May 2017; Chair from June 2017)
Abigail Tweed (Vice Chair from June 2017)
Margaret Bracegirdle (Resigned September 2016)
Anne Lloyd-Jones
Michael Sol Owen
Stephen Churchman
John Wyn Williams
Anne Foote (Resigned September 2016)
David Halsall (Resigned December 2016)
Lari Parc (Appointed September 2016)
Alan Field (Appointed September 2016)
Paula Jewson (Appointed December 2016)

Secretary and Registered Office

Paul McGrady
Unit 6 & 7,
Llys Castan, Parc Menai,
Bangor, Gwynedd
LL57 4FH

Executive Officers

Ffrancon Williams - Chief Executive
Paul McGrady – Director of Resources
Ian Atkinson – Director of Assets & Infrastructure
Sarah Schofield – Director of Customers & Communities (commenced January 2017)

External Auditors

Beever and Struthers
St George's House,
215-219 Chester Road,
Manchester
M15 4JE

Internal Auditors

Mazars
45 Church Street,
Birmingham,
B3 2RT

Bankers

Barclays Bank plc
One Snowhill,
Queensway,
Birmingham,
B3 2WN

Funders

Barclays Bank plc
One Snowhill,
Queensway,
Birmingham,
B3 2WN

Financial Advisors

Capita Asset Services
65 Gresham Street,
London
EC2V 7NQ

Cartrefi Cymunedol Gwynedd Cyfyngedig is a Co-operative and Community Benefit Society registered with charitable rules. Co-operative and Community Benefit Society Number:30776R. Registered Social Landlord number L152.

CARTREFI CYMUNEDOL GWYNEDD CYF

Strategic Report for the year 1 April 2016 to 31 March 2017

The Board of Cartrefi Cymunedol Gwynedd Cyf presents this report and the audited financial statements for the year 1 April 2016 to 31 March 2017.

Throughout the report and Financial Statements 'CCG' or 'Association' has been used to refer to Cartrefi Cymunedol Gwynedd Cyf.

Per the requirements of the Financial Reporting Council, the Financial Statements have been prepared in compliance with Financial Reporting Standard (FRS) 102.

Principal Activities

CCG is a Large Scale Voluntary Transfer Housing Association formed in April 2010 following the transfer of some 6,300 homes from Gwynedd Council. CCG is a Co-operative and Community Benefit Society registered with charitable rules. As a Registered Social Landlord (RSL), CCG is regulated by the Welsh Government.

CCG's primary purpose is to provide affordable rented homes within the county of Gwynedd to those in housing need.

On 31 March 2017 CCG managed 6,237 properties throughout the county of Gwynedd, with the vast majority of these located in the Arfon area.

CCG's stock is mainly concentrated in the city of Bangor and the largest settlement towns of Caernarfon, Pwllheli, Blaenau Ffestiniog, Dolgellau, Bala and Tywyn. Many properties are also spread across a wide area of the county in villages and isolated rural locations.

Within the current stock there are 381 homes designated as Sheltered Housing for older tenants. For tenants living in such properties, wardens are employed to help ensure that tenants can enjoy as much independence as possible.

The Welsh Housing Quality Standard (WHQS) was one of the core promises made to tenants on transfer, and was achieved in the autumn of 2015. The subsequent focus in CCG's seventh year of operation was to develop and grow as an organisation, including the delivery of additional affordable housing.

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Objectives and strategies

The Corporate Plan covers the period 2015 to 2020, and details the next phase in CCG's development together with the organisation's Vision and Values.

This Vision is:

To be a leading provider of quality housing – meeting the needs of customers, valuing communities

The following core Values support this Vision:

- **Fair** – Make consistent and objective decisions which promote equality and respect diversity
- **Accountable** – Be effective and take responsibility for the decisions we make and the things we do
- **Open** – Be honest and transparent in everything we do
- **Innovative** – Be ambitious and open to new ideas and new ways of working
- **Approachable** – Be accessible and easy to work with at all times

The Corporate Plan sets out CCG's strategy, and focuses on:

- the priorities for the Board and staff to deliver,
- what we invest our time and resources in delivering, and
- the framework governing our decisions and monitoring our progress.

The Corporate Plan includes a set of four key themes and related goals;

- **Customers** – We will aim to meet the needs of our customers and encourage their involvement in shaping how services are designed and delivered
- **Development and Growth** – We will aim to grow as a business to ensure our long-term viability
- **Assets** – We will manage our assets to sustain their value and maximise income, ensuring they meet our customers' needs
- **Sustainable Communities** – We will promote sustainable communities by working in partnership to deliver effective services

These themes and goals are supported by 14 detailed objectives, with the plan underpinned by 6 principles designed to help guide its delivery:

- **Finance and Governance**
- **People and Technology**
- **Communication**
- **Partnership**
- **Value for Money**
- **Health, Safety, Quality and Environment (HSQE)**

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Progress against the delivery of the plan is monitored through a reviewed Performance Management Framework.

Financial Review

Regulatory Opinion

The Welsh Ministers have powers under Part 1 of the Housing Act 1996 to regulate RSLs in relation to the provision of housing and matters relating to governance and financial management. The Welsh Ministers publish a Regulatory Opinion under sections 33A and 35 of the Housing Act 1996. This opinion is published in accordance with performance standards known as “Delivery Outcomes” and relate to governance, financial management and landlord services.

The Regulatory Opinion includes a judgement on the **financial viability** of an RSL, and can fall into one of the three categories: ‘Pass’, ‘Pass with closer regulatory monitoring’ or ‘Fail.’

Following the Welsh Ministers most recent review, they concluded in December 2016 that CCG’s financial viability was ‘**Pass**’, i.e. the highest of the three available judgements, and unchanged since the previous review.

This December 2016 Regulatory Opinion notes that ***“Cartrefi Cymunedol Gwynedd is financially viable and has adequate resources to meet its current and forecasted future business and financial commitments.”***

The full Regulatory Opinion is available at:

<http://gov.wales/docs/desh/publications/161201-hara-gwynedd-en.pdf>

Financial Performance

The financial results for the seventh year of operation compare well with CCG’s seventh year business plan, with a surplus on ordinary activities for the year of £8.1m. This surplus is after receipt of dowry for the year from WG of £4.1m.

CCG had tangible fixed assets of £125.1m at the year end, mainly being the cumulative cost of improvement works carried out since transfer. There were net current liabilities of £14.3m at the year end, mainly due to £15.0m of bank loans repayable in 2017/18. Cash balances were £3.3m and the liability on the local government pension scheme fund was £2.8m. Total reserves were £48.1m at year end, mainly being the capitalised improvement works referred to above less the long-term funding of those works and less the pension liability.

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The balance of loans outstanding stood at £70.6m at year end, and were drawn down under an £82.0m facility arrangement with Barclays Bank. The balance of loans comprised:

- Seven fixed rate loans from Barclays totalling **£55.0m** - repayable in October 2018 (£6m), October 2021 (£5m), October 2022 (£4m), April 2031 (£5m), April 2032 (£8m), April 2033 (£12m) and April 2034 (£15m)
- Six variable rate loans from Barclays totalling **£15.0m** – repayable during 2017/18
- A variable rate loan from the Welsh Government of **£0.6m** - repayable by 2020/21.

Assets

As noted above, the WHQS improvement programme was achieved in autumn 2015; this involved spending £128.8m in CCG's first 6 years, with a further £10.5m invested in 2016/17. In addition, a number of new build / refurbishment schemes were progressed during the year, with £4.0m spent in 2016/17.

CCG also owns around 500 hectares of land and other assets. Given that this land was transferred to CCG at zero cost, its value is not included in the Statement of Financial Position. CCG however is actively pursuing a disposal strategy of land that is surplus to requirements, and an independent valuation anticipates that such land will generate capital receipts of approximately £1.1m. These receipts will be used to help fund the development of additional affordable housing. Other land holdings will be kept for future development by CCG.

Rents

During 2016/17 CCG continued to follow the Welsh Government's policy on Social Housing Rents which was introduced in 2014/15. This policy determines an average rent band for the Association into which the average actual rent charged must fall. Inflationary increases are based on the Consumer Prices Index plus 1.5% but the Association can increase the rents by a further £2 per week for all or part of the stock if it is deemed necessary to fund business plan commitments. The average actual rent rose by 3.39% in 2016/17. The total rent charged in the year totalled £26.62m.

Right to Buy/Acquire

The Offer Document noted that tenants who transferred to CCG from Gwynedd Council would have 'preserved right to buy' rights. During 2016/17 a total of 10 such sales were completed, and a further 10 properties were also sold on the open market. The proceeds of these sales have been included in the 2016/17 Statement of Comprehensive Income.

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New tenants since transfer do not have the same right to buy rights as transferred tenants, however, under certain criteria they may be able to purchase their homes through the ‘right to acquire’ process, which is based on a grant rather than a discount. To date CCG has not sold any properties under the right to acquire.

Efficiency and Value for Money

Promoting Efficiency and Value for Money is a core part of how CCG operates, and one of the underlying principles of the Corporate Plan is “We will deliver value for money services and review how we do things to ensure services improve to meet customer needs.”

This underpins CCG’s “Value for Money Strategy” which defines what we mean by Value for Money, notes areas for Development and Improvement, and explains our approach to Benchmarking, Performance Monitoring, Procurement and Culture Change in respect of Value for Money.

In 2016/17 Community Housing Cymru & Housemark published the report “A practical guide ... on how to define, deliver and demonstrate VFM”. CCG is quoted in this report, with this quote encapsulating CCG’s overall ethos and approach to efficiency and VFM, namely: **“VFM is about ensuring that every pound spent delivers the maximum impact possible in terms of quality and / or quantity. Without VFM as an overarching principle, you will inevitably spend more than you need to achieve your objectives. Nobody likes throwing money away and our tenants certainly can’t afford for us to do so.”**

Operational Review

CCG celebrated its seventh anniversary soon after the end of the 2016/17 financial year – a year that saw further significant progress made with the 2015/20 Corporate Plan.

Key achievements 2016/17

These included:

- To better understand its achievements to date, CCG commissioned Public and Corporate Economic Consultants (PACEC) to produce an independent report measuring the impact of the WHQS investment. The report highlighted significant improvements for our tenants, e.g. more than 50% felt that their health had improved, 82% believe their homes are easier to heat, and 82% cook more at home. The full report and related film are available at:

<http://www.ccgwynedd.org/Performance>

<https://www.youtube.com/watch?v=9XCL8IcTNVc>

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- CCG's Development Strategy was revised due to the increased availability of Social Housing Grant throughout Wales. CCG will aim to maximise this wherever possible, and the aim now is to build or acquire around 300 units by 2020 via a carefully managed growth plan. The Strategy is supported by a clear framework for risk management and a robust process for business planning and financial capacity.
- To date, 39 units have been completed and 3 existing properties have been purchased, and there are a further 27 units on site. These schemes have been part funded by the Welsh Government's social housing grant and smaller properties programme. The new homes are efficient to level three of the Code for Sustainable Homes, and meet the standards for Secure by Design. Various other schemes are in the planning stage, including a site purchased in Caernarfon that will accommodate 45 units, and the acquisition of 47 units in a sheltered housing scheme in St Asaph, Denbighshire. This acquisition will be a significant step in CCG's growth plans.
- Work on refurbishing 3 empty blocks is nearing completion and will provide 15 flats for the community. Most of these flats were previously so small they did not meet the Welsh Housing Quality Standard (WHQS), and so they were empty and hard to let due to their layout and size.
- Following the achievement of WHQS in 2015/16, CCG has continued to ensure that the standard is maintained and that investment continues.
- Other Assets related initiatives included increased accuracy of the asset management data, the procurement of a framework of contractors to deliver future capital investment work such as external works, better internal communication between the assets and repairs teams, and the use of the in-house repairs team to deliver capital works such as kitchen and bathroom replacement.
- An "Assets Performance Model" was created in 2016/17 which evaluates whether properties are 'Assets' or 'Liabilities'. The model considers factors such as a property's net income (after considering all management and maintenance costs), the demand for housing in an area, and the efficiency of running the property. The model will allow CCG to make sound asset management decisions, helping to ensure that homes are provided in areas where there is a need.
- An Improvement Programme for Trwsio (i.e. the Repairs and Maintenance Service) was established in 2015/16, focussing on the needs of our tenants, with the aim of becoming a modern customer focused, efficient and cost-effective service. Significant progress was made in 2016/17 via a major service transformation, which included:

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- Organising work on a geographical basis (i.e. focussing on individual towns/areas on specific days) and increasing the proportion of planned works from 12% to 44%. This improved efficiency via better planning, with the jobs per day per operative increasing from 3 to 6 and a reduction in travelling. In addition, communication with tenants was improved, the backlog of works was cleared and response times improved. Despite an additional 4,200 appointments, appointment performance was maintained at 97%, right first time increased from 80% to 91%, and emergency calls completed on-time increased from 98% to 99%.
- Undertaking more works in-house (and thus reducing sub-contractor work) which helped increase efficiency and cost effectiveness; 2017/18 expenditure is projected to be c£500k lower than 2015/16 expenditure. (More if additional service and responsibilities are also taken into account.) These efficiencies helped reduce the hourly rate by £10/hr; this enabled the service to be more competitive, which helps the growth agenda and commerciality.
- Other significant Trwsio changes included a closer working relationship with the Assets team to address high repairs demand properties, a sustained improvement in respect of compliance, and the introduction of official periodic inspections by in-house electrical engineers. Mobile working (e.g. via tablets) was increased, internal CCG communications and use of systems was improved, and the Client & Contractor split was reviewed – this allowed Trwsio to focus on the growth agenda, e.g. the first maintenance contract for a 3rd party was successfully delivered.
- Although tenant satisfaction in respect of repairs as measured by the most recent Tenant Satisfaction STAR survey remained at 67%, the measures described above (which were implemented part way during 2016/17) are producing positive benefits as tenants' perceptions change, e.g. compliments and positive feedback has increased, and complaints have decreased.
- Work to mitigate the impact of Welfare Reform by supporting tenancies continued, and despite pressure from additional Universal Credit cases, rent arrears only increased marginally to 1.9%. Our Financial Inclusion strategy aims to increase our tenants' financial capability so they are better able to deal with personal financial shocks which limit their ability to pay their rent.
- We continued to work with the police on an Early Intervention approach to help create safer communities, and we continued participate in the Gwynedd Tackling Poverty workgroup and the Gwynedd Digital Resilience project.

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- 2016/17 saw the launch of CCG's new Customer Participation Framework which ensured that we continue to prioritise tenant participation.
- A new complaints procedure was introduced in 2016/17 which puts greater onus on resolving complaints without the need for them to be escalated. The new process has been successful in resolving complaints and significantly fewer complaints are now escalated to the Public Services Ombudsman for Wales. Complaints are now managed centrally within the Customer Services Team which has led to the customer receiving a better standard of service when making a complaint. A stronger Lessons Learnt process in respect of complaints has also been implemented which allows us to make further improvements and changes to services.
- Improving customer satisfaction generally across CCG continued to be a key focus, and feedback collected was a key driver in improving the services provided to our customers. A review was carried out on how customer satisfaction surveys were conducted and a new process has been implemented, which should lead to a better insight into the areas of service that our customers consider needs improving.
- A new call options system (IVR) was introduced in April 2016 which led to a 8% decrease in telephone calls coming directly through to CCG. Customers can now go directly through to Morgan Sindall or Gwynedd Council without the need for CCG to receive the initial telephone call. This has led to an increase in available resource to carry out more outbound calls to improve customer communication.
- CCG continued to ensure that it met the required standards of the previously achieved OHSAS 18001 accreditation for Health and Safety, and ISO 9001 and 14001 accreditations for Quality Systems Environment.
- Previous successes in obtaining industry awards for good practices and achievements were built upon, with a raft of awards (some pending), coming our way in 2016/17, including:
 - Our Assets and Maintenance teams won the Best Client in the prestigious National Housing Maintenance Forum Awards in January.
 - Our HR team were shortlisted in two categories of the HR Wales Awards, namely best use of Welsh language in HR, and Housing Association HR professional of the year.
 - Our repairs and maintenance team has been shortlisted in the Development / Maintenance Team of the Year category at the UK Housing Heroes Awards. Our tenant Margaret Bracegirdle is on the shortlist for a tenant lifetime contribution in the same award ceremony.

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- We were shortlisted for 6 procurements awards – 3 in the Go Awards Wales (including 2 highly commended) and 3 in the National GO Awards
- We have been shortlisted in the 2017 HANA (Housing Association National Accountancy) Awards in the Efficiency and Value for Money category.
- CCG’s Community Investment Fund entered its sixth year, with a further 10 Community and Voluntary Groups receiving funding totalling £14,794 during the year. To date, 230 groups have benefitted from funding of £1.2 million from the fund, which has managed to attract an additional £5.6 million in match funding to Gwynedd.
- The Business Transformation Project has been established with the vision of developing better, more modern services by transforming culture, working practices and services whilst ensuring future financial viability. Achievements to date include reducing the number of CCG offices, introducing agile and flexible working policies and revising Cynllun Llwyddo the corporate appraisal process to become more output driven. Business process re-engineering reviews will be conducted on all internal processes, and mobile working technology has been introduced to make certain roles more mobile, providing a better service to our tenants.
- The “Service Challenge” process was undertaken for the first time in 2016/17; this in-depth review of services and budgets identified efficiency savings of £630k, with most being re-invested in 2017/18 service improvements. In addition, 2016/17 saw the formulation of CCG’s first formal Medium Term Financial Plan (this complements the Annual Budget and the 30-year Business Plan) and also the creation of CCG’s first Assets and Liabilities register.

These key achievements are consistent with the Future Developments identified within the 2016/17 Board Report.

During the forthcoming year, CCG will continue to build on the achievements since transfer and strengthen as an organisation further. Particular focus will be on continuing to implement the Corporate Plan through a process of change and programme management.

Governance and Regulatory Overview

Housing Association Regulatory Assessment

Part 2 of the Housing (Wales) Measure 2011 (the Measure), which amends Part 1 of the Housing Act 1996 gives the Welsh Ministers powers to regulate RSLs in Wales. The measure provides the Welsh Ministers with enhanced regulatory and intervention powers.

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In late 2016, the Welsh Government Housing Regulation Team undertook Regulatory Assessment (RA) on behalf of the Welsh Ministers. The Regulatory Assessment is designed to provide CCG, tenants, service users and other stakeholders with an understanding of how well we are performing, at a specific moment in time, against the delivery outcomes relating to:

- Landlord services
- Governance
- Financial management

The Regulatory Assessment was undertaken in accordance with the risk-based approach to regulation set out in 'The Regulatory Framework' and associated guidance *'Improving the implementation of the Regulatory Framework: a risk based approach to regulation'* and *'Sector risks facing housing associations in Wales'*.

The Regulator utilises information and knowledge gained through ongoing regulatory engagement with CCG, together with information provided to inform regulatory opinion.

The Regulatory Assessment was published in December 2016, as part of the Regulatory Opinion detailed in page 4 above. The conclusions were accepted as a reasonable and fair assessment by the Board, and the relationship with the Regulator remains healthy with regular contact maintained over the financial year. The Regulatory Framework is set to change in the future with RSLs being assessed on new performance standards with an emphasis on co-regulation.

Charter for Good Governance and the Code of Governance

The Board continued to follow the Community Housing Cymru's (CHC's) Charter for Good Governance which has been developed to demonstrate a visible commitment to good governance.

Following the publication of the sector Code of Governance in February 2015 as developed by Community Housing Cymru, in partnership with the Welsh Government, a comprehensive 'compliance gap analysis' was undertaken with the Board. The conclusions were that CCG was in a position to demonstrate compliance with the majority of the Code, and an action plan was developed in order to ensure full compliance.

The Compliance Action Plan included provisions for a more formal Board 'evaluation' process and a review of the Governance Structure and supporting policies – all of which were actioned during 2016/17.

Board and Committee structure

CCG's Rules dictate that the Board is to be made up of twelve members, comprising four tenants, four Local Authority nominees, and four independents; all are Non-Executive Directors of CCG. Members are from a

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wide background, bringing a range of professional, commercial and local experiences to CCG. The members of the Board of Management and the Executive Leadership Team who served during the year are set out on page 1.

The Governance Structure and Standing Orders were revised in 2015/16 and led to the establishment of four committees with delegated powers that enable effective scrutiny of operational issues. The revised committee structure comprises of:

- Audit and Risk Assurance Committee
- Assets and Infrastructure Committee
- Customers and Communities Committee
- Resources Committee

This structure is also designed to support future requirements of the organisation including the delivery of the Corporate Plan.

Statement of Board responsibilities

The Co-operative and Community Benefit Societies Act requires the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these accounts the Board have to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the accounts on the going concern basis unless it is inappropriate.

The Board are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association and to enable them to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act and Housing Acts. In determining how amounts are presented within items in the Statement of Comprehensive Income and the Statement of Financial Position, the Board has had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

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The Board is responsible for the Association's strategy and policy framework, but delegates the day to day management and implementation to the Chief Executive and the Executive Leadership Team.

Shareholder membership

At the end of the year, CCG had a total of 49 shareholders, each member having a £1 share in CCG. Shareholders are able to influence decision making within the Association through their right to vote at the Annual General meeting; all tenants have the right to apply to become shareholders.

The Local Authority hold one share capital on behalf of the Local Authority nominees on the Board, and the remaining Board members are all shareholders. None of the senior officers hold any interest in the share capital of the Association.

Internal Control

The Board has overall responsibility for establishing and maintaining the overall system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within general management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed and is consistent with WG's RSL02/10 housing circular: 'Internal controls and reporting'.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

Identification and evaluation of key risks:

CCG's Risk Management Framework outlines the processes involved in Risk Management, including the identification, analysis and scoring steps, as well as how risks are monitored within the organisation. The framework refers to three levels of risk, namely strategic, corporate and service based risks. The framework will be reviewed in 2017/18.

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To ensure a consistent approach to scoring, an impact scoring matrix is used as part of the framework. This provides a comprehensive tool for assessing the probability of a risk occurring as well as the impact of such a risk, and is split into three areas to ensure clarity, these being cost, time and quality impacts.

This process enables the association to identify key risks and uncertainties, and the highest scoring risks identified in the year were:

- Welfare Reform
- Board capacity and succession
- Not delivering services to the satisfaction of our customers
- Failure to deliver the Corporate Plan
- ONS re-classification

The identification of such risks helps enable appropriate risk monitoring, management and mitigation, and there is regular reporting of risk to the Audit and Risk Assurance Committee.

The internal audit function, which is provided by an independent firm of accountants, follows a risk-based audit programme, and reports directly to the Audit and Risk Assurance Committee.

Overall control procedures:

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems:

Financial reporting procedures include detailed budgets for the year ahead, detailed monthly management accounts, and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by the executive directors and are considered and approved by the Resources Committee quarterly. They are also forwarded to our Funders as part of the loan facility agreement. All Committees regularly review relevant key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Monitoring and corrective action:

A process of regular management reporting on control issues provides assurance to senior management and the Audit and Risk Assurance Committee. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those

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that may have a material impact on the financial statements and delivery of services.

The internal control framework and the risk management process are subject to regular review by Internal Audit who report to the Audit and Risk Assurance Committee. The Audit and Risk Assurance Committee considers internal control and risk at each of its meetings during the year, and will routinely review a number of operational risk maps.

The Audit and Risk Assurance Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control process.

The Board confirms that there is an on-going process for identifying, and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the annual report and accounts, and is regularly reviewed by the Board.

Statement of compliance

This board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the Housing SORP 2014.

By Order of the Board:

Mark Jones – Chair

Date: 13 September 2017

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CARTREFI CYMUNEDOL GWYNEDD CYF

We have audited the financial statements which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 87 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.

Respective Responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 12, the Board is responsible for the preparation of the 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 Financial Reporting Council's Ethical Standards for Auditors.

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.

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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 31 March 2017 and of its income and expenditure for the period then ended; and
- 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.

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

Beever and Struthers
Chartered Accountants and Statutory Auditors
St George's House
215 – 219 Chester Road
Manchester
M15 4JE
Date: 13 September 2017

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Statement of Comprehensive Income
For the Year 1 April 2016 to 31 March 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	31,560	30,282
Operating Expenditure	2	(22,467)	(22,922)
Operating Surplus		9,093	7,360
Gain on Disposal of Property, Plant & Equipment		1,303	1,496
Interest Receivable	4	1,499	7
Interest and Financing Costs	4	(3,751)	(3,988)
Surplus before Tax		8,144	4,875
Taxation	20	0	0
Surplus for the Year		8,144	4,875
Actuarial (Loss) / Gain in Respect of Pension Schemes	16	(2,534)	2,444
Total Comprehensive Income for the Year		5,610	7,319

The association's results relate wholly to continuing activities.

The financial statements on pages 18 to 21 were approved and authorised for issue by the Board on 13 September 2017 and were signed on its behalf by:

Mark Jones – Chair

Abigail Tweed – Vice Chair

Paul McGrady – Secretary

The notes on pages 22 to 44 form an integral part of these accounts.

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Statement of Changes in Reserves

For the Year 1 April 2016 to 31 March 2017

	Total Reserves
	£'000
Balance as at 1 April 2016	42,504
Surplus from Statement of Comprehensive Income	5,610
Balance as at 31 March 2017	48,114

The notes on pages 22 to 44 form an integral part of these accounts.

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Statement of Financial Position

as at 31 March 2017

	Note	Year Ended 31 March 2017		Year Ended 31 March 2016	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Fixed Assets	6 & 7		125,103		116,102
Current Assets					
Stock	8	72		60	
Trade and Other Debtors	9	13,981		15,418	
Cash and Cash Equivalents	10	3,323		1,947	
Less : Creditors Due Within One Year	11	<u>(31,664)</u>		<u>(31,243)</u>	
Net Current Liabilities			(14,288)		(13,818)
Total Assets less Current Liabilities			<u>110,815</u>		<u>102,284</u>
Debtors : Due After One Year	9		66,295		75,344
Creditors : Due After One Year	12		(126,168)		(133,850)
Provision for Liabilities					
- Pension Provision	16	(2,541)		(1,196)	
- Other Provisions	13	<u>(287)</u>	<u>(2,828)</u>	<u>(78)</u>	<u>(1,274)</u>
TOTAL NET ASSETS			<u><u>48,114</u></u>		<u><u>42,504</u></u>
Reserves:					
Non-equity Share Capital	14	-		-	
Income and Expenditure Reserve		<u>48,114</u>		<u>42,504</u>	
TOTAL RESERVES			<u><u>48,114</u></u>		<u><u>42,504</u></u>

The financial statements on pages 18 to 21 were approved and authorised for issue by the Board on 13 September 2017 and were signed on its behalf by:

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CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Statement of Cash Flows
For the Year Ended 31 March 2017

	Year Ended 31 March 2017		Year Ended 31 March 2016	
	£'000	£'000	£'000	£'000
Net Cash Generated from Operating Activities (see Note i)		14,758		10,818
Cash Flow from Investing Activities				
Purchase of Tangible Fixed Assets	(14,601)		(11,203)	
Proceeds from Sale of Tangible Fixed Assets	1,535		1,713	
Grants Received	1,829		720	
Interest Received	6		6	
		<u>(11,231)</u>		<u>(8,764)</u>
Cash Flow from Financing Activities				
Interest Paid	(3,751)		(3,787)	
New Secured Loans	5,600		4,000	
Repayment of Borrowings	(4,000)		(3,000)	
		<u>(2,151)</u>		<u>(2,787)</u>
Net Change in Cash & Cash Equivalents		<u>1,376</u>		<u>(733)</u>
Cash & Cash Equivalents at Beginning of the Year		1,947		2,680
Cash & Cash Equivalents at the End of the Year		3,323		1,947

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Reconciliation of Net Surpluses to Net Cash Inflow from Operating Activities
(Note i)

	Year Ended 31 March 2017		Year Ended 31 March 2016	
	£'000	£'000	£'000	£'000
Surplus for the year		8,144		4,875
Adjustments for Non-Cash Items:				
Depreciation of Tangible Fixed Assets	5,235		4,777	
Decrease / (Increase) in stock	(12)		6	
Decrease / (Increase) in Trade & Other Debtors	(954)		1,888	
Increase / (Decrease) in Trade & Other Creditors	919		(3,538)	
Increase / (Decrease) in Provisions	237		(250)	
Pension Costs less Contributions Payable	304		603	
Carrying Amount of Fixed Asset Disposals	231		217	
		5,960		3,703
Adjustments for Investing or Financing Activities:				
Proceeds from the Sale of Tangible Fixed Assets	(1,535)		(1,713)	
Government Grants Utilised in the Year	(63)		(29)	
Interest Payable	3,751		3,787	
Interest Received	(1,499)		195	
		654		2,240
Net Cash Generated from Operating Activities		14,758		10,818

CARTREFI CYMUNEDOL GWYNEDD CYF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

Cartrefi Cymunedol Gwynedd is incorporated in Wales under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Welsh Government as a Registered Provider of social housing. The association is a public benefit entity and its registered office is Unit 6 & 7, Llys Castan, Parc Menai, Bangor, Gwynedd, LL57 4FH.

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014. The financial statements comply with the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. The accounts are prepared on the historical cost basis of accounting and are presented in pounds sterling. Unless otherwise noted, amounts are rounded to the nearest £1,000.

The financial statements have been prepared in compliance with FRS102. The Association is a public benefit entity.

Going concern

The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The main reason for showing net current liabilities in the Statement of Financial Position is the inclusion of loans of £15m in creditors due within one year. These loans are automatically rolled over every three months and are not expected to be repaid in the next year.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the statement of financial position and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- **Development expenditure.** The association capitalises development expenditure in accordance with the accounting policy described under “Tangible Fixed Assets” page 24. Initial capitalisation of costs is based on management’s judgement that a development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease,

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

management monitors the development and considers if changes have occurred that result in impairment.

- **Categorisation of housing properties.** The association has undertaken a detailed review of the intended use of its housing properties – this review concluded that all housing properties are held for social benefit.

Other key sources of estimation and assumptions:

- **Tangible fixed assets.** As detailed on the next page, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on many factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Bad debt provision.** The Association estimates the recoverable value of rental and other receivables, and creates a Bad debt provision for any amounts that are unlikely to be recovered. The annual change in the Bad debt provision is charged to the Statement of Comprehensive Income, and the amount to provide is based on an assessment of the age profile of the debt, historical collection rates and the class of debt.
- **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 16.
- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the association performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the association as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include restructuring activities that the association is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Following the assessment of impairment, no impairment losses were identified in the reporting period.

Turnover

Turnover comprises:

- Rent and service charges receivable net of empty property voids;
- Rechargeable repairs;
- Grants from the Welsh Government;
- Fees;
- Revenue grants.

Fixed Assets and depreciation

The Association depreciates its housing properties in accordance with the Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords".

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Freehold housing properties are depreciated by component on a straight-line basis over the estimated useful economic lives of the component categories.

Useful economic lives for identified components are as follows:

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Component	Years
Building Structures	80 years
Roofing	60 years
Windows and Doors	30 years
Central Heating	20 years
Kitchens	15 years
Bathroom	25 years
Electrical Wiring	30 years
Walls and Other External Works	50 years
Disabled Adaptations	10 years
Solar Panels	25 years
Communal Blocks	15 years

Depreciation is charged over the expected useful life of assets related to estates and other land as follows:

Asset	Years
Fencing	40 years
Paths	30 years
Drainage	30 years
Parking Areas	30 years
Street Lighting	20 years

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

Asset	Years
Offices	15 to 80 years
Garages	30 to 60 years
Shops	15 to 80 years
Vehicles and Plant	3 years
IT Equipment	5 to 10 years

Stock

Stocks of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. At each reporting date, stock is assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell, with the impairment loss being recognised immediately in the Statement of Comprehensive Income.

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Social Housing and Other Government Grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land) under the accruals model. The Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Welsh Government. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain cases, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has been accrued at the date of the Statement of Financial Position and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the date of the Statement of Financial Position.

Repairs and maintenance

The costs of repairs and maintenance are expensed as incurred on the basis of work done at the date of the Statement of Financial Position.

Operating leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Value Added Tax

The Association is registered for VAT. A large portion of its income including rental receipts is exempt for VAT purposes. Where VAT is not recoverable the expenditure for these activities is shown in the accounts inclusive of VAT, with the exception of all major repairs expenditure which is shown exclusive of VAT. The Association has been able to take advantage of the VAT Shelter relief that is available to it.

Provisions

Provisions are recognised where uncertainty exists regarding the timing or amount that may be required to settle potential liabilities. Any amounts provided

CARTREFI CYMUNEDOL GWYNEDD CYF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

are charged to the Statement of Comprehensive Income and credited to the Statement of Financial Position based upon the Association's best estimate of potential liabilities.

Pensions

The Association participates in two pension schemes:

The **Local Government Pension Scheme (LGPS)** is a defined benefits scheme managed by Gwynedd Council. 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 Section 28 of Financial Reporting Standard No.102 – Employee Benefits.

The **Social Housing Pension Scheme (SHPS)** is a defined contribution scheme managed by the Pensions Trust. Contributions are charged to the Statement of Comprehensive Income based on the actual payments made to the scheme in the form of employer contributions.

Service charges

Cartrefi Cymunedol Gwynedd operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are levied, the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the statement of financial position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held in the statement of financial position within long term creditors.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the turnover note 2. The related support costs are matched against this income in the same note.

Support charges included in the rent are included in the income and expenditure from social housing lettings note 3 and matched against the relevant costs.

Loan finance

The Association's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Association has some fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

prevailing fixed rate is higher than the existing loan's fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non-basic". Given that the Association believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Association has retained its "basic" treatment of its debt following the FRC announcement.

Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the statement of financial position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs, are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Taxation

The association has charitable status and is therefore not liable for Corporation Tax on its charitable activities.

Stock Transfer Obligation

When the housing stock was transferred in 2010, the association entered into an agreement to purchase the properties from the local authority and to carry out improvement works on those properties. The outstanding commitments from this agreement net off to zero, and FRS102 requires the gross values of these obligations to be recognised; the Statement of Financial Position therefore shows the related assets and liabilities as debtors and creditors, split into obligations falling due within one year and due after more than one year. (See also notes 9, 11 & 12.)

Given that these assets and liabilities match, their recognition makes no difference to the net current assets/liabilities figure, nor to the Statement of Financial Position total.

As the association continues to invest in improvement works on its housing properties, the stock transfer obligations will decrease over future years.

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are measured at:

- Fair value with changes in fair value recognised in profit or loss if the shares are publicly traded or their value can otherwise be measured reliably,
- At cost less impairment for all other such investments

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method,
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method,
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method,
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment,
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value,
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- (a) The best evidence of fair value is a quoted price in an active market.
- (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.
- (c) Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.



CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. TURNOVER, OPERATING COSTS AND SURPLUS

	2017			2016		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
SOCIAL HOUSING LETTINGS (Note 3)	31,204	(22,303)	8,901	29,928	(22,769)	7,159
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	113	(91)	22	113	(78)	35
NON-SOCIAL HOUSING ACTIVITIES						
Lettings of Shops and Other Land	109	(32)	77	108	(33)	75
Letting of Garages to Non-Tenants	134	(41)	93	133	(42)	91
TOTAL	31,560	(22,467)	9,093	30,282	(22,922)	7,360



CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2017			2016		
	General Housing £'000	Supported Housing £'000	Total £'000	General Housing £'000	Supported Housing £'000	Total £'000
INCOME						
Rents receivable net of identifiable service charges and net of voids	(25,038)	(1,396)	(26,434)	(24,004)	(1,343)	(25,347)
Service charge income	(109)	(274)	(383)	(93)	(286)	(379)
Rents receivable	(25,147)	(1,670)	(26,817)	(24,097)	(1,629)	(25,726)
Revenue Grants Received	(3,850)	(250)	(4,100)	(3,850)	(250)	(4,100)
Capital Grants Applied	(63)	-	(63)	(29)	-	(29)
Miscellaneous Income	(216)	(8)	(224)	(68)	(5)	(73)
TURNOVER FROM SOCIAL HOUSING LETTINGS	(29,276)	(1,928)	(31,204)	(28,044)	(1,884)	(29,928)
OPERATING EXPENDITURE						
Service charge costs	1,629	391	2,020	1,780	368	2,148
Management	7,211	724	7,935	7,657	702	8,359
Routine maintenance	4,338	258	4,596	5,008	191	5,199
Planned maintenance	2,532	25	2,557	2,284	4	2,288
Rent losses from bad debts	142	9	151	190	12	202
Depreciation of Housing Properties	4,656	388	5,044	4,253	320	4,573
TOTAL OPERATING EXPENDITURE FROM SOCIAL HOUSING LETTINGS	20,508	1,795	22,303	21,172	1,597	22,769
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	(8,768)	(133)	(8,901)	(6,872)	(287)	(7,159)
Void Losses	469	26	495	670	27	697

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

4. INTEREST PAYABLE AND INTEREST RECEIVABLE

a. Interest Payable and Similar Charges	2017	2016
	£'000	£'000
On Loans	3,636	3,690
Non-Utilisation Fees	115	97
Net Loss on Pension Fund Investments	-	201
TOTAL	3,751	3,988

b. Interest Receivable and Similar Income	2017	2016
	£'000	£'000
On Investments	6	7
Net Return on Pension Fund Investments	1,493	-
TOTAL	1,499	7

5. SURPLUS FOR THE YEAR

	2017	2016
	£'000	£'000
The operating surplus for the year is stated after charging:		
Auditor's Remuneration – In their capacity as auditors	17	16
Operating Lease Payments	456	436
Depreciation of Housing Properties	5,044	4,573
Depreciation of Garages	2	0
Depreciation of Other Assets	188	203

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

6. TANGIBLE FIXED ASSETS (HOUSING)

	Housing Properties Held for Letting 2017	Assets Under Construction 2017	Work in Progress 2017	Total 2017
	£'000	£'000	£'000	£'000
Cost				
At Beginning of Year	127,427	1,578	1,126	130,131
Disposals	(253)	-	-	(253)
Transfer to Completed Works	2,704	(1,578)	(1,126)	-
Additions	9,417	2,608	2,326	14,351
Cost at End of Year	139,295	2,608	2,326	144,229
Depreciation and Impairment				
At Beginning of Year	15,389	-	-	15,389
Disposals	(33)	-	-	(33)
Charge for the Year	5,046	-	-	5,046
At End of Year	20,402	-	-	20,402
Net Book Value				
At End of Year	118,893	2,608	2,326	123,827
At Beginning of Year	112,038	1,578	1,126	114,742

Assets Under Construction represent new build properties under construction and Work in Progress represents improvement works in progress.

The total cost of new build properties completed during the year of £2.93m is included in the above figures as transfers and additions.

All properties other than new build properties completed since 2015/16 are pledged as security to Barclays Bank as part of the £82m loan agreement.

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

7. OTHER TANGIBLE FIXED ASSETS

	Offices	Vehicles	Computers, Furniture and Office Equipment	Total 2017
	£'000	£'000	£'000	£'000
Cost				
At Beginning of Year	1,025	153	2,060	3,238
Additions	-	-	105	105
Disposals	-	-	-	-
Cost at End of Year	1,025	153	2,165	3,343
Depreciation				
At Beginning of Year	180	153	1,546	1,879
Charge for the Year	24	-	164	188
Disposals	-	-	-	-
At End of Year	204	153	1,710	2,067
Net Book Value				
At End of Year	821	-	455	1,276
At Beginning of Year	845	-	515	1,360

8. STOCK

	2017	2016
	£'000	£'000
Building Maintenance Unit Materials	71	59
Staff Benefit Vouchers	1	1
TOTAL	72	60

9. DEBTORS

	2017	2016
	£'000	£'000
Debtors Due Within One Year:		
Arrears of Rent and Service Charges	984	948
Less : Provision for Bad Debts	(673)	(661)
	311	287
Other Debtors and Prepayments	1,983	1,024
Land for Housing loan	-	850
Stock Transfer Obligation	11,687	13,257
TOTAL	13,981	15,418

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Debtors Due After One Year:

Stock Transfer Obligation	66,295	75,344
TOTAL	66,295	75,344

10. CASH AND CASH EQUIVALENTS

	2017	2016
	£'000	£'000
Bank Deposits		
Instant Access Deposit Accounts	3,295	1,919
Current Bank Account and Cash in Hand	28	28
TOTAL	3,323	1,947

11. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	2,727	2,344
Accruals and deferred income	1,881	1,326
Rent and Service Income Received in Advance	258	234
Grants Received but not Applied (Note 12a)	97	61
Money Held on Behalf of Tenants	0	1
Miscellaneous	14	20
Loan repayments in one year or less	15,000	14,000
Stock Transfer Obligation	11,687	13,257
TOTAL	31,664	31,243

12. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017	2016
	£'000	£'000
Loans not repayable by instalments:		
Between 1 and 2 Years	6,000	-
Between 2 and 5 Years	5,600	6,850
Over 5 Years	44,000	49,000
Sub- Total	55,600	55,850
Other long-term Creditors:		
Grants Received but not Applied (Note 12a)	4,273	2,656
Stock Transfer Obligation	66,295	75,344
TOTAL	126,168	133,850

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Loans are secured by specific charges on the association's housing properties and land. The loans are repayable at varying rates of interest and are due to be repaid between 2018 and 2034.

The interest rate profile of the loans at 31 March 2017 was:

	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average rate %	Weighted average term Years
Loans due after > 1 year:	55,600	600	55,000	6.08	12.6

The association had undrawn facilities with Barclays bank of £11.4m as at 31 March 2017

12a. DEFERRED CAPITAL GRANT

	2017 £'000	2016 £'000
At the start of the year	2,717	2,027
Grant received in year *	1,716	720
Released to income	(63)	(30)
At the end of the year	4,370	2,717
Creditors:		
Amount due to be released < 1 year	97	61
Amount due to be released > 1 year	4,273	2,656
	4,370	2,717

* All grants received during 2017 were provided by the Welsh Government in the form of Social Housing Grant for New Build schemes that were in progress at year end.

13. PROVISIONS

	Capital Contracts £'000	Employee Redundancy £'000	Total £'000
As at 1 April 2016	50	28	78
Provisions Made in Year	287	-	287
Provisions Released in the Year	(50)	(28)	(78)
As at 31 March 2017	287	0	287

The timings of outflows relating to these provisions is uncertain but are expected to happen in the next 12 months.

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14. NON-EQUITY SHARE CAPITAL

	2017	2016
Shares of £1 each, fully paid and issued at par	£	£
At 1 April	49	48
Shares Issued During the Year	0	2
Resignations During the Year	0	(1)
At 31 March	49	49

15. CAPITAL COMMITMENTS

	2017	2016
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	4,503	4,922
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	3,145	3,105
TOTAL	7,648	8,027
	2017	2016
	£'000	£'000
Anticipated financing sources:		
Committed loan facilities	6,780	6,701
Welsh Government Social Housing Grant	868	1,326
TOTAL	7,648	8,027

16. PENSION

The Association participates in two pension schemes:

Local Government Pension Scheme (LGPS)

Gwynedd Council pension scheme is a defined benefit scheme based on final pensionable salary. Certain employees of the Association 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. 12 April 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 Gwynedd Council.

The gains and losses recognised by the Association therefore relate solely to the transfer period.

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The most recent valuation was carried out at the 31st March 2016 and has been updated by independent actuaries to the scheme to reflect the requirements of FRS102 in order to assess the liabilities of the fund at 31st March 2017. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. The Association's contribution rate from 1st April 2016 to 31st March 2017 was 16.4% (16.4% in 2015/16) of members' pensionable pay.

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

Average Future Life Expectancy at Age 65	Males	Females
Current Pensioners	22.0 years	24.2 years
Future Pensioners	24.0 years	26.4 years
	% per annum	% per annum
	2017	2016
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.4%	4.2%
Expected Return on Assets	2.7%	3.6%
Discount Rate	2.7%	3.6%

	% per annum	Market Value	% per annum	Market Value
	2017	2017	2016	2016
		£'000		£'000
Expected Return on Assets				
Equities	2.7	12,606	3.6	9,929
Bonds	2.7	0	3.6	1,904
Property	2.7	1,327	3.6	1,360
Cash	2.7	2,654	3.6	408
		16,587		13,601

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The following amounts were measured in accordance with the requirements of FRS102:

	2017	2016
	£'000	£'000
Fair Value of Employer Assets	16,587	13,601
Present Value of Defined Benefit Obligation	(19,128)	(14,797)
Total Scheme (Liability) / Asset	(2,541)	(1,196)

The movement in the net surplus is as follows:

	2017	2016
	£'000	£'000
Contributions Paid	989	992
Current Service Costs	(1,244)	(1,581)
Past Service Costs	(49)	(14)
Interest Cost	(554)	(520)
Expected Return on Employer Assets	2,047	319
Actuarial Gain / (Loss)	(2,534)	2,444
Net Movement in Year	(1,345)	1,640

	2017	2016
	£'000	£'000
Net Asset (Liability) at Commencement of Year	(1,196)	(2,836)
Net Movement in Year	(1,345)	1,640
Net Asset / (Liability) at Year End	(2,541)	(1,196)

Social Housing Pension Scheme (SHPS)

The Association opened a Defined Contribution Scheme in May 2014. As at 31 March 2017, the Association had 38 active members contributing to the scheme. Total employer contributions in the year totalled £42,736

As the Association only operates a defined contribution scheme, its liability is limited to the value of the contributions made.

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17. KEY MANAGEMENT PERSONNEL REMUNERATION

	2017	2016
	£	£
The aggregate emoluments paid to or receivable by non-executive Directors and former Directors	-	-
The aggregate emoluments paid to or receivable by executive Directors and former Directors	361,367	302,964
The emoluments paid to the highest paid Director excluding pension contributions:	114,361	113,322
The aggregate amount of any compensation paid to Directors or former Directors during the year of account.	-	-
The aggregate amount of Directors or past Directors' pensions, excluding amounts payable under a properly funded pension scheme.	-	-
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director.	-	-

The Chief Executive is an ordinary member of the pension scheme. The Chief Executive's pension is a defined benefit scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements.

Key management personnel are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Leadership Team or its equivalent.

18. EMPLOYEE INFORMATION

	2017		2016	
	31/03/17	2017	31/03/16	2016
	Number	Average	Number	Average
		Number		Number
The number of persons employed during the year expressed in full time equivalents (37 hours per week) was:				
Office staff	177	174	185	184
Manual Staff	68	69	62	60
Wardens, caretakers & cleaners	11	11	5	7
TOTAL	256	254	252	251

	2017	2016
	£'000	£'000
Wages and Salaries	7,110	6,936
Social Security Costs	663	497
Pension Costs	976	975
TOTAL	8,749	8,408

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Number of key management personnel whose remuneration (i.e. including pension) exceeded £50,000 in the period:

	Number
£100,000 to £110,000	2
£130,000 to £140,000	1

19. OPERATING LEASES

The Association holds properties, vehicles and office equipment under non-cancellable operating leases. As at 31 March 2017 the Association had commitments of future minimum lease payments as follows:

	2017		2016
	£'000	£'000	£'000
Land and buildings:			
Within the next year	111		126
In the second to fifth years	87		97
In more than five years	99		-
		<u>297</u>	<u>223</u>
Others:			
Within the next year	306		232
In the second to fifth years	229		327
In more than five years	-		-
		<u>535</u>	<u>559</u>
		<u>832</u>	<u>782</u>

20. TAXATION STATUS

The Association has charitable status.

21. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

	31 March	31 March
	2017	2016
Under management at end of year:		
Housing accommodation	5,856	5,860
Supported housing	381	381
Sub-total	<u>6,237</u>	<u>6,241</u>
Under development at end of year	<u>27</u>	<u>33</u>
Total	<u><u>6,264</u></u>	<u><u>6,274</u></u>

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22. RELATED PARTY TRANSACTIONS

The Board comprises of 4 Councillors, 4 Tenants and 4 Independent members.

Each tenant member has a normal protected assured tenancy agreement and they were not able to use their position to obtain any advantage. Total rent charged to tenant Board members in 2016/17 was £17,708 (2016: £16,987). There were no arrears on their tenancies at the reporting period end (2016: nil).

The transactions that occurred between Gwynedd Council and CCG during the year to 31st March 2017 are summarised as follows:

Invoices received from Gwynedd Council for services provided under normal commercial terms: £1,017,743 of which £111,279 (under normal 30 days payment terms) was outstanding as at 31st March 2017.

Invoices sent under normal commercial terms to Gwynedd Council (mainly in respect of Supporting People income) amounted to £290,555 with no monies owing to CCG as at 31st March 2017. A further £14,432,327 was received from Gwynedd Council for Housing Benefit contributions to 31st March 2017.

23. GRANT AND FINANCIAL ASSISTANCE

The total accumulated government grant and financial assistance received or receivable at 31 st March 2017	Social Housing Grant	Energy Efficiency and Regeneration	Supporting People	Other
	£'000	£'000	£'000	£'000
Held as deferred capital grant	3,510	860	-	-
Recognised as income in Statement of Comprehensive Income in year	-	-	113	7
	3,510	860	113	7

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24. FINANCIAL ASSETS AND LIABILITIES

The Association had the following financial instruments:

	2017	2016
	£'000	£'000
Financial assets measured at historical cost		
For the year ended 31 March		
Cash at bank and in hand	3,323	1,947
Trade debtors	311	287
Other debtors	1,983	1,874
TOTAL	5,617	4,108
Financial liabilities		
For the year ended 31 March		
Loans payable (measured at amortised cost)	70,600	69,850
Trade creditors (measured at amortised cost)	2,727	2,344
Other creditors (measured at amortised cost)	2,250	1,642
TOTAL	75,577	73,836
Development agreement		
For the year ended 31 March		
Value of Gwynedd Council's obligation to carry out refurbishment works	77,982	88,601
Value of CCG's obligation to undertake refurbishment works on behalf of Gwynedd Council	(77,982)	(88,601)
TOTAL	-	-

25. EVENTS AFTER THE REPORTING PERIOD

To help facilitate the growth of the services offered by CCG, (including services that may be outside CCG's core charitable objectives) the Board agreed in 2016/17 to create a wholly owned subsidiary called "Medra". Appropriate permissions were sought from the Welsh Government, and the new company was registered with Companies House in April 2017. The exact services provided by Medra will be agreed in 2017/18, and it is anticipated that the new company will start trading soon afterwards.