

# Financial Statements

For period ended

31 March 2011





## CARTREFI CYMUNEDOL GWYNEDD CYF

### FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011

<b>Contents</b>	<b>Page</b>
Board Members and Professional Advisors	1
Board Report	2 - 8
Report of the Independent Auditors	9 -10
Income and Expenditure Account	11
Statement of Total Recognised Surpluses and Deficits	12
Balance Sheet	13
Cash Flow Statement	14 -15
Notes to the Financial Statements	16 – 28

## CARTREFI CYMUNEDOL GWYNEDD CYF

### BOARD MEMBERS AND PROFESSIONAL ADVISORS

#### BOARD MEMBERS

John Glyn Jones (Chair)  
Margaret Bracegirdle (Vice Chair)  
Brian Jones  
Val Jones (Resigned 18 November 2010)  
Dewi Lewis (Resigned 20 July 2011)  
Anne Lloyd-Jones  
Alan Moseley  
Vicky Norton  
John Owen (Resigned 5 October 2010)  
Dean Swindell  
Alun Williams  
John Wyn Williams

#### Secretary and Registered Office

Ffrancon Williams  
Unit 6 & 7,  
Llys Castan,  
Parc Menai,  
Bangor,  
Gwynedd  
LL57 4FH

#### Executive Officers

Ffrancon Williams - Chief Executive  
Lindsay Simons – Director of Corporate Services  
Rhys Jones – Director of Customers and Communities  
Mick Butler – Director of Assets and Investments

#### External Auditors

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

#### Solicitors

Trowers & Hamblins  
Sceptre Court,  
40 Tower Hill,  
LONDON  
EC3N 4DX

#### Bankers

Barclays Bank plc  
3rd Floor,  
Windsor Court,  
3 Windsor Place,  
Cardiff  
CF10 3ZL

#### Funders

Barclays Bank plc  
3rd Floor,  
Windsor Court,  
3 Windsor Place,  
Cardiff  
CF10 3ZL

#### Financial Advisors

Sector Weedon Grant  
The Registry,  
34 Beckenham Road,  
Beckenham  
BR3 4TU

Cartrefi Cymunedol Gwynedd Cyfyngedig is an Industrial and Provident Society registered with charitable rules, Industrial and Provident Society Number:30776R. Registered Social Landlord number L152.

## **CARTREFI CYMUNEDOL GWYNEDD CYF**

### **Board Report**

**for the Period 12 April 2010 to 31 March 2011**

The Board presents its report and the audited financial statements for the period 12 April 2010 to 31 March 2011.

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

#### **Principal Activities**

Since the 12th of April 2010 CCG has owned and managed all homes which previously belonged to Gwynedd Council.

CCG's principal activity is the provision of affordable rented accommodation. CCG aims to bring all its homes up to the Welsh Housing Quality Standard (WHQS) by 2015, in accordance with the promises made to tenants at transfer.

#### **Objectives and strategies**

CCG's vision is to become the leading community-led provider of affordable homes in Gwynedd, using our knowledge, skills and resources to develop and enrich local communities and protect our unique environment and culture. We aim to be fair and open, to build relationships based on respect and to act with integrity.

CCG's vision is backed up by a number of core values:

**Effective (reliable):** It's important to us that we do what we say we will do, and to be trusted by our customers, staff and partners.

**Flexible:** We encourage new ideas that help us provide services people want in ways that suit them. We understand that 'one size does not fit all' and we value diversity.

**Approachable (open):** We work with people and it is important to us that we continue to provide locally accessible services and that we are fair and honest.

**Innovative:** We encourage people to find new ways of doing things that increase choice and make life easier for the people we work with.

**Committed:** We are committed to Gwynedd, its people, and the environment. We will deliver services in ways that protect and develop our culture.

## CARTREFI CYMUNEDOL GWYNEDD CYF

CCG also has a number of corporate strategic objectives, as follows:

1. Deliver promises made within the Offer Document.
2. Contribute to the development of the local economy and maximise community regeneration opportunities.
3. Be the best we can for our customers.
4. Develop a culture to continually improve CCG's services and business processes to achieve service standards, ensure efficiency, safety of operations and high levels of customer satisfaction.
5. Work in partnership and contribute to making our communities better places to live and work.
6. Communicate effectively.
7. Develop our people.
8. Respect diversity and promote equality.
9. Ensure ongoing financial viability and achieve value for money in all that we do.
10. Govern effectively in the best interest of CCG and its customers.

Progress against achievement of these objectives is monitored by the Board, and these are linked by a 'golden thread' to a series of Action Plans, Business Critical Performance Indicators, Service Improvement Plans and Risk Maps. Our ongoing programme of Self Assessment provides a critical view of achievement of our corporate objectives, promises and service improvements, with an emphasis on the differences CCG is making for its tenants and others who use the services we provide. This assessment looks at what is being achieved and how it is being achieved, from service user and other customer perspectives, and helps improve the accountability to all our customers and stakeholders.

### **Operational and Financial review**

#### **Financial performance**

The financial results for the first year of operation compare well to our first year business plan, with a surplus on ordinary activities for the year of £6.148m. This surplus is after set up costs of £5.14m which were paid to Gwynedd Council on transfer, and after receipt of dowry for the year from WAG of £5.276m.

CCG had net tangible fixed assets of £7.54m at the year end, being the cost of improvement works carried out during the year, net of 'Arbed' grants received. There were net current liabilities at the year end, mainly due to accrued expenditure and a £3.5m loan from Barclays drawn down under an £82m facility agreement. This loan was repaid in April 2011. Revenue reserves at the year end amounted to £5.987m, which will be retained within CCG to fund future improvement works.

## CARTREFI CYMUNEDOL GWYNEDD CYF

### **Assets**

There was significant investment in improvement works in the year, with a spend of £6.370m. This represents work carried out under contracts assigned from the Council at transfer, and a number of new 'quick win' contracts entered into during the year. This expenditure represents the start of CCG's substantial WHQS improvement programme, which aims to spend £136m over the first five years of operation.

### **Rents**

In accordance with the promises made to tenants at transfer, CCG's rent policy ensures that taken as a whole rents would not increase by more than they would have done if homes had stayed with the Council, and WAG's rent policy remained as it was pre transfer. Rents are based on Local Authority Guideline rents, and are currently around 5.5% lower than RSL Benchmark Rents.

### **Right to Buy/Acquire**

Tenants who transferred from Gwynedd Council have a preserved right to buy their homes. Those who became tenants since transfer do not have the right to buy but may have the right to acquire their home. There have been two sale completions during the year, and there were a number of applications pending as at the year end.

### **Key achievements in the year**

As a new landlord in its first year of operation, the focus in the early part of the year was very much on the establishment of systems, policies and procedures, and striving to ensure a seamless service for all our customers through the transfer period. However, considerable progress has also been during the year on further enhancing our services, and improving the efficiency of supporting functions.

Key achievements in the year have included:

Development of a stock investment programme to achieve the WHQS standard, based on clear evidence from a 100% stock condition survey

In consultation with tenants, establishment of 'Rules of Investment' which has taken in to account many of our tenant's aspirations and needs. This will help ensure investment decisions are based upon the priorities of our customers

Commencement of delivery of the WHQS improvements programme following an innovative Procurement Strategy, designed to benefit the local economy through the creation of local employment opportunities

Introduction of new IT systems, including Opti-time, Keystone, Delcam, and e-Bis to improve efficiency and customer satisfaction levels

Significant progress made towards ensuring customers are at the centre of services, with tenants playing a key role in setting service standards

Improvement in the way we deal with complaints, and in procedures to help ensure CCG is easily contactable and that calls received are handled in a consistent manner

## **CARTREFI CYMUNEDOL GWYNEDD CYF**

Support provided to empower tenants with the development of the Tenants and Residents Partnership following the adoption of the Joint Declaration of Intent

Adoption of an Elected Members Protocol to improve the service provided to elected members of Gwynedd Council

Strengthening the Neighbourhood Services Team and adoption of Anti Social Behaviour (ASB) Service Management Performance Standards to enable ASB to be tackled more effectively.

### **Future developments**

CCG aims to increase the number of units available for letting in the local area and has applied for Social Housing Grant to support the development of 20 general needs units of accommodation, to commence development in 2013/14.

There are also plans in place to further improve service delivery and outcomes for our customers, including:

Collation of accurate data to ensure we can assess customer satisfaction levels across all areas of activity

Working to ensure that communication with vulnerable tenants and hard to reach groups is improved with a view to providing better services and introducing better communication methods and procedures

Introduction of targeted training and recruitment together with an increase in apprenticeship places within the WHQS Investment Works and responsive repairs service to improve services

Rolling out a training package to introduce multi skilling training to existing employees

Establish upper quartile targets to ensure continuous improvement in all areas

Undertake a review of the voids process with a view to reducing void losses, by identifying and ironing out inefficiencies and improving effectiveness

Ensuring that lessons learnt from complaints received are translated to changes in service delivery

Development of the partnership between CCG and its tenants and residents to ensure services are delivered efficiently and with the requirements and aspirations of customers in mind, and to ensure members of the Tenant and Residents Partnership and forums feel empowered

Review of the performance and delivery of certain key housing management areas and make improvements to help achieve top quartile status and contribute to CCG's financial viability

Review and development of Tenancy Support Services in order to provide an effective service to the most vulnerable members of our communities.



## CARTREFI CYMUNEDOL GWYNEDD CYF

### **Governance**

#### **Charter for Good Governance**

The Board have considered and adopted Community Housing Cymru's (CHC's) Charter for Good Governance which has been developed to enable its members to demonstrate a visible commitment to good governance.

#### **Board and Committee structure**

CCG's Board is made up of twelve members, comprising four tenant members, four Councillors, and four independents. Members are from a wide background, bringing a range of professional, commercial and local experiences to CCG. A new governance structure was created during the year, involving the establishment of four Committees, namely Audit, Finance, Operations and Human Resources & Remuneration.

Each of these committees has specific authority delegated by the Board, as defined in CCG's Standing Orders. This has enabled the Board to maintain a focus on the overall strategic direction of CCG.

#### **Statement of Board responsibilities**

The Industrial and Provident Societies Acts require 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 are required 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 Industrial and Provident Societies Acts and Housing Acts. In determining how amounts are presented within items in the income and expenditure account and balance sheet, 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.

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 other senior officers.

## CARTREFI CYMUNEDOL GWYNEDD CYF

### **Members of the Board and senior officers**

Members of the Board of Management and the senior officers who served during the year are set out on page 1. Non-Council representatives of the Board each hold one fully paid share of £1 in the Association, with the Council holding one share in total. None of the senior officers hold any interest in the share capital of the organisation.

The Association has insurance policies that indemnify members of the Board and senior officers against liability when acting for the Association.

### **Internal Control**

The Board has overall responsibility for establishing and maintaining the whole 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 the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the association is exposed and is consistent with Turnbull principles as incorporated in the former Housing Corporation circular 07/07: internal controls assurance.

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:

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. This is documented in CCG's Risk Management Strategy, which provides for the regular reporting of risk to the Audit Committee, and at least annually to the Board. The executive team regularly considers and receives reports on significant risks facing the association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

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 Committee.

## CARTREFI CYMUNEDOL GWYNEDD CYF

Overall control procedures:

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including new investment projects. 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 management accounts produced monthly 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 Finance Committee or the Board. The Operations Committee also regularly reviews 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 Audit Committee. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

The internal control framework and the risk management process are subject to regular review by Internal Audit who report to the Audit Committee. The Audit Committee considers internal control and risk at each of its meetings during the year, and will review a number of risk maps at each meeting so that each map is reviewed in detail at least once per annum.

The Audit 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 Audit Committee makes an annual report to the Board. The Board has received this report.

The Board confirms that there is an ongoing 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 Operating and Financial Review has been prepared in accordance with the principles set out in Para 33 and 34 of the 2010 SORP Update for registered providers.

## **CARTREFI CYMUNEDOL GWYNEDD CYF**

### **Independent Auditors Report to Members of Cartrefi Cymunedol Gwynedd Cyf.**

We have audited the financial statements which comprise the income and expenditure account, the balance sheet, the cash flow statement 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 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 6, 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 Auditing Practices Board's (APB'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.

## **CARTREFI CYMUNEDOL GWYNEDD CYF**

### **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 2011 and of its income and expenditure for the period then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2009.

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 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: 21 September 2011**



**Income and Expenditure Account**

**For the Period 12 April 2010 to 31 March 2011**

	Notes	2011 £'000
Turnover	2	25,964
Operating Costs	2	(19,078)
<b>Operating Surplus</b>		<b>6,886</b>
Surplus on Sale of Fixed Assets		118
Interest Receivable and Similar Income		10
Interest Payable and Similar Charges	4	(866)
<b>Surplus on Ordinary Activities for the Year</b>	<b>5</b>	<b>6,148</b>

All amounts relate to continuing activities.

The above surpluses are the historical cost surpluses.



**Statement of Total Recognised Surpluses and Deficits**

**For the Period 12 April 2010 to 31 March 2011**

	Notes	2011 £'000
Surplus / (Deficit) for the Year		6,148
Actuarial Surplus	18	7
<b>Total Recognised Surplus for the Year</b>		<u><u>6,155</u></u>

**CARTREFI CYMUNEDOL GWYNEDD CYF**

**FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011**



**Balance Sheet  
As at 31 March 2011**

	Notes	2011 £'000	2011 £'000
<b>Tangible Fixed Assets</b>			
Housing Properties at Cost less Depreciation	6	6,287	
Other Grants	6	<u>(650)</u>	5,637
Other Tangible Fixed Assets	7		<u>1,906</u>
			<b>7,543</b>
<b>Current Assets</b>			
Debtors (including prepayments)	8	1,188	
Stock	9	238	
Work in Progress	10	73	
Short Term Deposits	11	1,902	
Cash at Bank and in Hand	12	<u>1,555</u>	4,956
<b>Current Liabilities</b>			
Creditors : Amounts Falling Due Within One Year	13		<u>(6,502)</u>
<b>Net Current Liabilities excluding Pension Asset</b>			<b>(1,546)</b>
Pension Asset	18		158
<b>Net Current Liabilities Including Pension Asset</b>			<b>(1,388)</b>
<b>NET ASSETS</b>			<u><u><b>6,155</b></u></u>
<b>Represented By :</b>			
Non Equity Share Capital	15		-
Pension Reserve	18		158
Designated Reserves	16		10
Revenue Reserves	16		<u>5,987</u>
			<u><u><b>6,155</b></u></u>

The financial statements on pages 11 to 15 were approved and authorised for issue by the Board on 21 September 2011 and were signed on its behalf by:

\_\_\_\_\_  
John Glyn Jones – Chair

\_\_\_\_\_  
Margaret Bracegirdle – Vice Chair

\_\_\_\_\_  
Ffrancon Williams – Secretary





**Cash Flow Statement  
For the Period Ended 31 March 2011**

	Notes	2011 £'000	2011 £'000
<b>Net Cash Inflow from Operating Activities</b>			7,877
<b>Returns on Investments and Servicing Finance</b>			
Interest Received		10	
Interest Paid on Loans		(136)	(126)
<b>Net Cash Flow from Returns on Investments and Servicing of Finance</b>			<b>7,751</b>
<b>Capital Expenditure</b>			
Purchase and Construction of Housing Properties		(6,370)	
Purchase of Other Fixed Assets		(2,192)	
Capital Grants Received		650	
Sales of Properties		113	
Sales of Other Fixed Assets		5	(7,794)
<b>Net Cash Inflow / (Outflow) before Use of Liquid Resources and Financing</b>	21		<b>(43)</b>
<b>Management of Liquid Resources</b>			
(Increase) / Decrease in Short Term Deposits			(1,902)
<b>Financing</b>			
Loan Advances Received		3,500	
Loan Principal Repayments		-	
<b>Net Cash (Inflow) / Outflow from Financing</b>			<b>3,500</b>
<b>Increase / (Decrease) in Cash</b>			<b>1,555</b>



**Reconciliation of Operating Surpluses to Net Cash Inflow from Operating Activities**

	<b>2011 £'000</b>
Operating Surplus	6,886
Depreciation of Tangible Fixed Assets	368
Difference Between Pension Charge and Cash Contributions	(881)
Working Capital Movements:	
Decrease / (Increase) in Stock	(237)
Decrease / (Increase) in Debtors	(1,188)
Decrease / (Increase) in Work in Progress	(73)
Increase / (Decrease) in Creditors	3,002
<b>Net Cash Inflow from Operating Activities</b>	<b><u>7,877</u></b>

**Reconciliation of Net Cash Flow to Movement in Net Debt**

	<b>2011 £'000</b>
Increase in cash in the year	1,555
Cash flow from Changes in Debt	(3,500)
Cash flow from Management of Liquid Resources	1,902
<b>Movement in Net Debt in Year</b>	<b><u>(43)</u></b>
Net Debt at 12 April 2010	-
<b>Net Debt at 31 March 2011</b>	<b><u>(43)</u></b>



**Notes to the Financial Statements**

**1. PRINCIPAL ACCOUNTING POLICIES**

Cartrefi Cymunedol Gwynedd is incorporated under the Industrial & Provident Societies Act 1965 and is registered with the Welsh Assembly Government as a Registered Provider of social housing.

**Basis of accounting**

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: Accounting by Registered Social Landlords 2009. of the United Kingdom. The accounts comply with the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2009. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investments.

**Turnover**

Turnover comprises:

- Rent and service charges receivable net of empty property voids;
- Grants from the Welsh Assembly Government;
- Fees and
- 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:

<b>Component</b>	<b>Years</b>
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



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

### Impairment

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. An income generating unit could be a single property, but it is normally a group of properties whose income and expenditure can be separately identified. Impairment reviews are carried out on assets whose useful economic lives are expected to exceed 50 years in accordance with Financial Reporting Standard 11.

### Repairs and maintenance

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

### Operating leases

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

### 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 accounts is shown 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 are charged to the income and expenditure account and credited to the balance sheet based upon the Associations best estimate of potential liabilities.



### **Pensions**

The Local Government Pension Scheme (LGPS), 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 Financial Reporting Standard No.17 – Retirement Benefits.

### **Designated reserves**

Cartrefi Cymunedol Gwynedd designates those reserves which have been set aside for uses which prevent them, in the judgement of the Board, from being regarded as part of the free reserves of the Association.

### **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 used 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 balance sheet.

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 balance sheet 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 issue costs**

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet 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 income and expenditure account 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.

**CARTREFI CYMUNEDOL GWYNEDD CYF**

**FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011**



**2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

	Turnover £'000	2011 Operating Costs £'000	Operating Surplus £'000
<b>SOCIAL HOUSING LETTINGS</b>	25,511	(18,880)	6,631
<b>OTHER SOCIAL HOUSING ACTIVITIES</b>			
Supporting People contract income	176	(77)	99
<b>NON-SOCIAL HOUSING ACTIVITIES</b>			
Lettings of Shops and Other Land	100	(44)	56
Letting of Garages to Non Tenants	177	(77)	100
<b>TOTAL</b>	<b>25,964</b>	<b>(19,078)</b>	<b>6,886</b>

**3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	General Housing £'000	2011 Supported Housing £'000	Total £'000
<b>INCOME</b>			
Rents	(18,100)	(1,532)	<b>(19,632)</b>
Service charges	(133)	(292)	<b>(425)</b>
Charges for support services	-	-	-
<b>Rents receivable</b>	<b>(18,233)</b>	<b>(1,824)</b>	<b>(20,057)</b>
Supporting People Contract Income	-	-	-
Service Level Agreement Income	(149)	(8)	<b>(157)</b>
Revenue Grants Received	(4,832)	(455)	<b>(5,287)</b>
Miscellaneous Income	(9)	(1)	<b>(10)</b>
<b>TOTAL INCOME</b>	<b>(23,223)</b>	<b>(2,288)</b>	<b>(25,511)</b>
<b>EXPENDITURE</b>			
Services	1,168	725	<b>1,893</b>
Management	8,468	798	<b>9,266</b>
Routine maintenance	6,198	152	<b>6,350</b>
Planned maintenance	1,061	-	<b>1,061</b>
Rent losses from bad debts	227	-	<b>227</b>
Depreciation of Housing Properties	83	-	<b>83</b>
<b>TOTAL EXPENDITURE</b>	<b>17,205</b>	<b>1,675</b>	<b>18,880</b>
<b>OPERATING SURPLUS ON LETTINGS ACTIVITIES</b>	<b>(6,018)</b>	<b>(613)</b>	<b>(6,631)</b>
<b>Void Losses</b>	<b>355</b>	<b>50</b>	<b>405</b>

## CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011



### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £'000
On Loans	136
On Pension Fund	730
<b>TOTAL</b>	<b>866</b>

In addition the association incurred £304,395 in loan commitment fees which are incurred as a result of under utilisation of the agreed loan facility. These costs have been included in operating costs in the Income & Expenditure account.

### 5. SURPLUS FOR THE YEAR

	2011 £'000
The operating surplus for the year is stated after charging:	
Auditor's Remuneration	
- In their capacity as auditors	17
Operating Lease Payments	165
Depreciation of Housing Properties	83
Depreciation of Other Assets	280

### 6. TANGIBLE FIXED ASSETS (HOUSING)

	Housing Properties Held for Letting £'000
<b>Cost</b>	
<b>At Beginning of Year</b>	-
Capitalisation of Improvements at Cost	6,370
<b>Cost at End of Year</b>	<b>6,370</b>
<b>Grant</b>	
At Beginning of Year	-
Grant Received	650
<b>Grant at End of Year</b>	<b>650</b>
<b>Depreciation and Impairment</b>	
<b>At Beginning of Year</b>	-
Charge for the Year	83
<b>At End of Year</b>	<b>83</b>
<b>Net Book Value</b>	
At End of Year	<b>5,637</b>
At Beginning of Year	-

**CARTREFI CYMUNEDOL GWYNEDD CYF**

**FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011**



**7. OTHER TANGIBLE FIXED ASSETS**

	Offices	Vehicles	Computers, Furniture and Office Equipment	2011 Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
<b>At Beginning of Year</b>	-	-	-	-
Additions	812	219	1,161	2,192
Disposals	-	(8)	-	(8)
<b>Cost at End of Year</b>	<b>812</b>	<b>211</b>	<b>1,161</b>	<b>2,184</b>
<b>Depreciation</b>				
<b>At Beginning of Year</b>	-	-	-	-
Charge for the Year	16	70	194	280
Disposals	-	(2)	-	(2)
<b>At End of Year</b>	<b>16</b>	<b>68</b>	<b>194</b>	<b>278</b>
<b>Net Book Value</b>				
<b>At End of Year</b>	<b>796</b>	<b>143</b>	<b>967</b>	<b>1,906</b>
<b>At Beginning of Year</b>	-	-	-	-

**8. DEBTORS**

	2011 £'000
<b>Debtors Due Within One Year:</b>	
Arrears of Rent and Service Charges	1,129
Less : Provision for Bad and Doubtful Debts	(750)
	379
Staff Car Loans	33
Other Debtors and Prepayments	776
<b>TOTAL</b>	<b>1,188</b>

**9. STOCK**

	2011 £'000
Building Maintenance Unit Materials	238
<b>TOTAL</b>	<b>238</b>



**CARTREFI CYMUNEDOL GWYNEDD CYF**

**FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011**



**10. WORK IN PROGRESS**

	<b>2011</b>
	<b>£'000</b>
WHQS Penrhyn Pilot Scheme	<u>73</u>
	<b><u>73</u></b>

**11. SHORT TERM DEPOSITS**

	<b>2011</b>
	<b>£'000</b>
Overnight Deposits	1,400
15 Day Notice Account	<u>502</u>
	<b><u>1,902</u></b>

**12. CASH AND BANK DEPOSITS**

	<b>2011</b>
	<b>£'000</b>
<b>Bank Deposits</b>	
Instant Access Deposit Accounts	1,539
Current Bank Account and Cash in Hand	16
<b>TOTAL</b>	<b><u>1,555</u></b>

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

	<b>2011</b>
	<b>£'000</b>
<b>Amounts falling due within one year:</b>	
Trade creditors	1,050
Accruals and deferred income	1,777
Rent and Service Income Received in Advance	160
Grants Received but not Applied	15
Loan repayments in one year or less	<u>3,500</u>
<b>TOTAL</b>	<b><u>6,502</u></b>

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

Cartrefi Cymunedol Gwynedd has an agreed loan facility with its funders of up to £82m.

**CARTREFI CYMUNEDOL GWYNEDD CYF**

**FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011**



**15. NON EQUITY SHARE CAPITAL**

	2011 £
Shares of £1 each, fully paid and issued at par	
<b>At 12 April 2010</b>	-
Shares Issued During the Year	19
<b>At 31 March 2011</b>	<u><u>19</u></u>

**16. RESERVES**

	Pension Reserve	Designated Reserves	Revenue Reserves	Total
	£'000	£'000	£'000	£'000
<b>Balance at 12 April 2010</b>	-	-	-	-
Transfer for the Year	158	10	(168)	-
Actuarial Gain for the Year	-	-	7	7
Surplus for the Year	-	-	6,148	6,148
<b>Balance at 31 March 2011</b>	<u><u>158</u></u>	<u><u>10</u></u>	<u><u>5,987</u></u>	<u><u>6,155</u></u>

**17. CAPITAL COMMITMENTS**

	2011 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	8,684
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	7,609
<b>TOTAL</b>	<u><u>16,293</u></u>
	2011 £'000
Cartrefi Cymunedol Gwynedd expects these commitments to be financed with:	
Committed loans facilities	<u>16,293</u>
<b>TOTAL</b>	<u><u>16,293</u></u>



## 18. PENSION

The Association participates in the Gwynedd Council pension scheme which 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.

The most recent valuation was carried out at the 31st March 2010 and has been updated by independent actuaries to the scheme to take into account the requirements of FRS17 in order to assess the liabilities of the fund at 31st March 2011. 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 12th April 2010 to 31st March 2011 was 19.9% of the members pensionable pay.

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

<b>Average Future Life Expectancy at Age 65</b>	<b>Males</b>	<b>Females</b>
Current Pensioners	20.5 years	23.0 years
Future Pensioners	23.3 years	25.6 years
	<b>% per annum</b>	
Pension Increase Rate	2.8	
Salary Increase Rate	5.1	
Expected Return on Assets	6.9	
Discount Rate	5.5	

**CARTREFI CYMUNEDOL GWYNEDD CYF**

**FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011**



	<b>% per annum</b>	<b>Market Value</b>
		<b>£'000</b>
<b>Expected Return on Assets</b>		
Equities	7.5	10,818
Bonds	4.9	1,850
Property	5.5	1,281
Cash	4.6	285
		<u>14,234</u>

The following amounts were measured in accordance with the requirements of FRS17:

	<b>2011</b>
	<b>£'000</b>
Fair Value of Employer Assets	14,234
Present Value of Defined Benefit Obligation	<u>(14,076)</u>
<b>Total Scheme Surplus</b>	<u><b>158</b></u>

The movement in the net surplus for the period to 31st March 2011 is as follows:

	<b>2011</b>
	<b>£'000</b>
Contributions Paid	742
Current Service Costs	(755)
Interest Cost	(730)
Expected Return on Employer Assets	894
Actuarial Gain	<u>7</u>
<b>Net Movement in Year</b>	<u><b>158</b></u>

	<b>2011</b>
	<b>£'000</b>
Net Asset at 12 April 2010	-
Net Movement in Year	<u>158</u>
<b>Net Asset at 31 March 2011</b>	<u><b>158</b></u>



**19. DIRECTORS EMOLUMENTS**

	2011 £
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	337,586
The emoluments paid to the highest paid Director excluding pension contributions:	90,452
The aggregate amount of any compensation paid to Directors or former Directors during the period 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.	19,362

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.

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Management Team or its equivalent.

**20. EMPLOYEE INFORMATION**

	2011 Number
The average number of persons employed during the year expressed in full time equivalents (37 hours per week) is:	
Office staff	117
Manual Staff	59
Wardens, caretakers and cleaners	13
<b>TOTAL</b>	<b>189</b>

  

	2011 £'000
Wages and Salaries	5,316
Social Security Costs	344
Pension Costs	834
<b>TOTAL</b>	<b>6,494</b>



**21. CASH FLOW STATEMENT NOTES**

**Analysis of Changes in Net Debt**

	At 12 April 2010 £'000	Cash Flows £'000	At 31 March 2011 £'000
Cash at Bank and in Hand	-	1,555	1,555
Debt due in less than 1 year	-	(3,500)	(3,500)
Debt Due in more than 1 year	-	-	-
Bank Deposits	-	1,902	1,902
<b>TOTAL</b>	<b>-</b>	<b>(43)</b>	<b>(43)</b>

**22. LEASES**

As at the 31 March 2011 the Association had annual commitments under operating leases as follows:

	2011	
	£'000	£'000
<b>Land and buildings which expire:-</b>		
Leases expiring within the next year	-	
Leases expiring in the second to fifth year	56	
Leases expiring in more than five years	32	
		88
<b>Others, which expire: -</b>		
Expiring within the next year	-	
Expiring in the second to fifth year	134	
Expiring in more than five years	-	
		134
		<b>222</b>

**23. TAXATION STATUS**

The Association has charitable status.



**24. UNITS**

	<b>31 March 2011</b>
<b>Under management at end of year</b>	
Housing accommodation	5,759
Supported housing	543
	<u>6,302</u>

**25. EXCEPTIONAL ITEMS**

As part of the transfer process, Gwynedd Council incurred £5.194 million of costs which were recoverable from the Association on successful completion of the transfer. The costs incurred were as follows:

	<b>2011 £'000</b>
Pre - Ballot Costs	1,385
Salaries, Wages and Administration	882
Fees - Consultants & Advisors	1,270
Recruitment and Other HR Costs	104
Loan Management Costs	1,025
Environmental Warranty	250
Other Costs	212
Interest Charged by Council	66
<b>TOTAL</b>	<u><u>5,194</u></u>

As part of the transfer agreement the Council retain the ownership, and responsibility for the future upkeep and repair, of any retained infrastructure. Retained infrastructure covers any pipes, sewers, other facilities and equipment for sewage treatment works and/or sewage disposal; and any pipes or any other part of plant or equipment for the supply of water for the dwellings transferred. In order to allow the Council to defray the costs and expenses which it would incur in relation to maintaining the retained infrastructure Cartrefi Cymunedol Gwynedd made a one off payment of £1,600,000 to the Council and this sum has been charged to the Income & Expenditure account as an operating cost.

**26. 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.

All the transactions with Gwynedd Council are made at arms length in normal commercial terms and they cannot use their position to their advantage.