

Financial Statements

For year ended

31 March 2014



CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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CARTREFI CYMUNEDOL GWYNEDD CYF

BOARD MEMBERS AND PROFESSIONAL ADVISORS

BOARD MEMBERS

John Glyn Jones (Chair)
Claire Russell Griffiths (Vice Chair)
Margaret Bracegirdle
Brian Jones
Anne Lloyd-Jones
Vicky Norton (Resigned – October 2013)
Michael Sol Owen
Alan Moseley (Resigned – May 2013)
Dean Swindell (Resigned – September 2013)
John Wyn Williams (Resigned – March 2014)
Nerys Williams
Arwel Jones
David Halsall (Appointed - September 2013)
Anne Foote (Appointed – September 2013)

Secretary and Registered Office

Rhys Evans
Unit 6 & 7,
Llys Castan, Parc Menai,
Bangor, Gwynedd
LL57 4FH

Executive Officers

Ffrancon Williams - Chief Executive
Rhys Jones – Director of Customers and Communities (Until July 2014)
Mick Butler – Director of Assets and Investments

External Auditors

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

Bankers

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

Financial Advisors

Sector Treasury Services Ltd
The Registry,
34 Beckenham Road,
Beckenham
BR3 4TU

Solicitors

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

Funders

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

Cartrefi Cymunedol Gwynedd Cyfyngedig is 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
Board Report
for the Year 1 April 2013 to 31 March 2014

The Board of Cartrefi Cymunedol Gwynedd Cyf presents this report and the audited financial statements for the year 1 April 2013 to 31 March 2014.

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

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 an Co-operative and Community Benefit Society registered with charitable rules. As a Registered Social Landlord, 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 the 31 March 2014 CCG had a total of 6,285 properties throughout the Gwynedd area, with the vast majority located in the northern Arfon area. Although 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 around 400 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.

During the first four years of operation, CCG has prioritised the delivery of the promises made to tenants on transfer, which included the aim of improving the properties to the Welsh Housing Quality Standard (WHQS) by 2015. CCG remains on track to achieve WHQS as well as delivering the remaining Offer Document promises.

Objectives and strategies

CCG's corporate vision is "to be the main provider of social housing in Gwynedd and putting the customer at the centre of everything we do". The vision is supported up by a number of core values;

- Effective: True to our word.
- Flexible: Ready to listen and respond.
- Approachable: fair and honest.
- Innovative: We welcome new ideas.

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The 2010-2015 Corporate Plan, and the 10 Corporate Strategic Objectives contained within, set out how CCG aims to achieve this vision.

Progress against achievement of the objectives is monitored through the Performance Management Framework, which is designed to link a series of Service Delivery and Improvement Plans with the Corporate Strategic Objectives, all of which are underpinned by a number of Key Performance and Corporate Performance Indicators.

Financial Review

Financial Viability Assessment

The Welsh Ministers have powers under section 33A of the Housing Act 1996 to regulate RSLs in Wales in relation to the provision of housing and matters relating to governance and financial management. Regulatory assessments undertaken follow a risk based approach which seeks to make a judgement relating to the financial viability of the Association.

Following the Welsh Ministers review they concluded that CCG's Financial Viability Judgement as at March 2014 was 'Pass'. This is defined as that;

“the Association has adequate resources to meet its current and forecasted future business financial commitments.”

The Board considered this to be a fair and positive result reflecting well on an organisation of CCG's maturity.

Financial Performance

The financial results for the fourth year of operation compare well to our fourth year business plan, with a surplus on ordinary activities for the year of £5.8m. This surplus is after receipt of dowry for the year from WG of £4.1m.

CCG had net tangible fixed assets of £80.7m at the year end, being the cumulative cost of improvement works carried out since transfer, net of capital grants received. There were net current liabilities at the year end, mainly due to accrued expenditure and £13.0m of bank loans which are repayable during 2014/15. Revenue reserves at the year end amounted to £31.8m, which will be retained within CCG to fund future improvement works.

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The balance of loans outstanding stood at £48.0m at the year end, made up of five fixed rate loans, totalling £35.0m which are repayable in October 2018 (£6m), October 2022 ((£4m), April 2031 (£5m), April 2032 (£8m) and April 2033 (£12m) and £13.0m in variable rate loans which are repayable during 2014/15. The loans were drawn down under an £82.0m facility arrangement with Barclays Bank.

Assets

There was significant investment in improvement works in the year, with expenditure of £32.0m. Together with the £56.4m spent in the previous three years, this expenditure represents around 75% of the planned investment in the first five years of operation required to deliver CCG's substantial WHQS improvement programme.

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 WG's rent policy remained as it was pre transfer. Rents for pre-transfer tenants are based on Local Authority Guideline rents whilst new tenants' rents are based on the RSL Benchmark Rents. Currently Local Authority Guideline rents are around 4.5% lower than RSL Benchmark Rents. The WG introduced a new rent policy in 2014/15 which removes the 2 rent levels and allows CCG the freedom to determine individual property rents provided that the overall average falls within a pre-determined band.

Right to Buy/Acquire

The Offer Document noted that tenants who transferred to CCG from Gwynedd Council would have a 'preserved right to buy' rights. During the year a total of 7 right to buy sales were completed, the proceeds of which have been incorporated into the 2013/14 revenue accounts.

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.

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Operational Review

In the four years since CCG was established, the organisation has significantly evolved and developed. Having continued to prioritise the delivering of the promises made to tenants at transfer, and with the WHQS investment programme remaining on course for completion in 2015, the Board commenced discussions on CCG's Development Strategy ensuring that the organisation grows from strength to strength over the coming years.

Operational priorities included focusing on ensuring that the organisation was well placed to face the challenges in sustaining rental income due to the Welfare Reform changes. These changes are a major challenge for both our tenants and for CCG as a business, however, a proactive approach has enabled the impact to be managed and rental income performance indicators remain healthy.

The implementation of the Repairs and Maintenance Team Transformation project designed to significantly improve service provision for our tenants started in earnest with a new structure implemented. CCG continued to build upon processes and systems in place to ensure that tenants receive a consistent service standard across key areas, with particular focus placed on the project to achieve ISO and OHSAS accreditation in 2014/15.

Key achievements 2013/14

- The continued successful mobilisation and partnership working with CCG's delivery partners ensured that progress on achieving WHQS remained on course for 2015, at 31 March 2014 the number of elemental completions since transfer were as follows;
 - Kitchens – 4,788
 - Bathrooms – 4,717
 - Heating – 4,862
 - Electrics – 4,333
 - Windows – 5,130
 - Doors – 6,150
- The WHQS improvement programme continued to provide local economic benefits, at the end of March 2014, a total of 358 staff were employed on the WHQS improvement programme, with 334 (94%) from the North Wales area, including 232 (65%) from Gwynedd. The Targeted Recruitment & Training Unit continued to work with the contractors to ensure that 34 apprentices were engaged on the programme in March 2014

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- The delivery of the Offer Document remains on track, with 138 (81%) of the promises successfully completed, the delivery continues to be monitored by Gwynedd Council on a quarterly basis.
- The integrated Health, Safety, Quality and Environment (HSQE) system designed to enable the association to better manage health, safety and environmental issues continued to develop. The system is designed to ensure consistency and quality in all our processes, to support this work, the staff intranet system 'Clic' was launched, which has enabled significant improvements in internal communication. CCG aims to achieve OHSAS 18001 accreditation for Health and Safety, and ISO 9001 and 14001 accreditation for Quality Systems Environment respectively.
- Following the independent review to the Repairs and Maintenance Service undertaken during 2012/13, the Board agreed to undertake a Transformation Project to bring about significant service improvements through a structure and management review and the embedding of a performance led culture within the service area. The new structure has been implemented, with early data demonstrating improving performance levels.
- The third Tenant Satisfaction Survey was undertaken, the results showed continued improvement in satisfaction levels across service areas. The results formed a key part of the evidence used by Board for the annual Self Assessment exercise.
- CCG received national recognition for the unique procurement model developed as a part of the WHQS investment programme. As winners of the Association of Consultant Architects (ACA) annual Innovation and Partnering award, and the Outstanding Contribution award in the Wales National Procurement Awards, CCG was praised for the way local businesses and local people have benefited from the jobs and apprenticeships created.
- The CCG Community Investment Fund supported a total of 26 community based organisations to develop a range of projects across the Gwynedd area – the total grant awarded was £224,358, this helped the organisations secure a further investment of over £1million in the community projects through 'match funding'.
- CCG has continued to build upon the suite of strategic and operational policies and procedures. Key housing management and governance policies reviewed or developed over the year included the Fire Management, Leaseholder and Domestic Abuse policies, the Scheme of Delegation, Standing Orders and Garage Strategy.

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- CCG staff underwent a corporate training programme on Equality & Diversity and Performance Management.

These key achievements are consistent with the Future Developments identified within the 2012/13 Board Report

During the forthcoming year, CCG will strive to continue building on the achievements since transfer and strengthen as an organisation further, particular key focus areas include;

- Ensuring the successful delivery of the Offer Document Promises and the completion of the WHQS investment programme.
- Commencing the delivery of the Development Strategy
- Continue the implementation and embedding of the HSQE system with the aim of achieving OSHAS 18001 accreditation for Health and Safety, 9001 for Quality Systems and 14001 for Environment.
- Adoption of a new 5 year Corporate Plan and the development of the Procurement and Value for Money Strategies.

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 powers to the Welsh Ministers to regulate RSL's in Wales. The measure provides the Welsh Ministers with enhanced regulatory and intervention powers.

The Housing Association Regulatory Assessment (HARA) undertaken by the Housing Regulation Team on behalf of the Welsh Ministers follows a risk based approach to regulation and seeks to identify strengths and areas for improvement in meeting the 10 Delivery Outcomes as set out in the Framework for Housing Associations Registered in Wales (the Framework).

The Framework outlines the need for Housing Associations in Wales to prepare a Self Assessment (SA) Report that is to be shared with the regulator. The purpose of the SA, which is owned by the Board is to provide an overall view of how the Association is performing against the Delivery Outcomes, this is then shared with the Regulator prior to the Housing Association Regulatory Assessment (HARA). Having received the HARA assessment of requiring a 'medium level of regulatory engagement' in the future in 2012, CCG has maintained a strong and open relationship with the Regulator.

CCG is now preparing to respond to the requirements of the newly re-aligned 'Risk Based' Regulation Framework.

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Charter for Good Governance

The Board have 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 – constant reviews of activities are undertaken to ensure that as the organisation develops, we continue to have the correct governance processes in place.

Board and Committee structure

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

In order to enable the Board to maintain a focus on the policy framework and the overall strategic direction of CCG, four committees with delegated powers have been established to enable effective scrutiny of more operational issues, the current committee structure comprises of

- Audit Committee
- Finance Committee
- Operations Committee
- Human Resources & Remuneration Committee

The roles and powers of the committees are defined within the Standing Orders.

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 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 Co-operative and Community Benefit Societies Act and Housing Acts. In determining how amounts are presented within items in the income and

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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 the Executive Management team.

Board Development Framework

The Board Development Framework, adopted in May 2013, is seen as a key component in enabling the Board to continue to provide the necessary strategic leadership for the organisation. The Framework will ensure that CCG respond to increasing expectations placed upon members in the future, through focussing on matters relating to Board recruitment, evaluation, training and succession planning.

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.

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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 Strategy defines the process for the identification, evaluation and control of significant risks. The Strategy provides for the regular reporting of risk to the Audit Committee. To complement the risk management process for these Service level risks the Executive Management Team have also developed a Corporate Risk Register which is regularly reviewed.

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.

The Risk Management process across the Association was reviewed during the year, with a new Risk Management Framework developed, complementing the HSQE system and taking into account the re-alignment of the Regulatory Framework.

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 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 quarterly (and are forwarded to our Funders as part of the loan facility agreement). The Operations Committee also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

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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 routinely review a number of operational risk maps.

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 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 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 Auditor's Report to Members of
Cartrefi Cymunedol Gwynedd Cyf.

We have audited the financial statements which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, 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 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 8, 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.

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 2014 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) 2009.

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 requires 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: 16 September 2014

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Income and Expenditure Account
For the Year 1 April 2013 to 31 March 2014

	Notes	2014 £'000	2013 Restated £'000
Turnover	2	27,999	27,035
Operating Costs	2	(20,520)	(17,305)
Operating Surplus		7,479	9,730
Surplus on Sale of Fixed Assets		495	260
Interest Receivable and Similar Income	4	21	44
Interest Payable and Similar Charges	4	(2,231)	(1,280)
Surplus on Ordinary Activities for the Year	5	5,764	8,754

All amounts relate to continuing activities.
The above surpluses are the historical cost surpluses.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Statement of Total Recognised Surpluses and Deficits

For the Year 1 April 2013 to 31 March 2014

	Notes	2014 £'000	2013 Restated £'000
Surplus for the Year		5,764	8,754
Actuarial (Loss)	18	154	(700)
Total Recognised Surplus for the Year		5,918	8,054
Prior Year Adjustment (note 26)		1,428	
Total Surplus Recognised since last Annual Report		7,346	

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Balance Sheet As at 31 March 2014

	Notes	2014 £'000	2014 £'000	2013 Restated £'000	2013 Restated £'000
Tangible Fixed Assets					
Housing Properties at Cost less Depreciation	6	79,985		49,721	
Other Grants	6	<u>(815)</u>		<u>(695)</u>	
			79,170		49,026
Other Tangible Fixed Assets	7		<u>1,566</u>		<u>1,672</u>
			80,736		50,698
Current Assets					
Debtors (including prepayments)	8	2,651		2,259	
Stock	9	26		33	
Work in Progress	10	3,608		4,566	
Short Term Deposits	11	0		3,904	
Cash at Bank and in Hand	12	<u>977</u>		<u>49</u>	
			7,262		10,811
Current Liabilities					
Creditors : Amounts Falling Due Within One Year	13		<u>(20,470)</u>		<u>(18,005)</u>
Net Current Liabilities excluding Pension (Liability)			(13,208)		(7,194)
Pension (Liability)	18		(870)		(764)
Net Current Liabilities Including Pension (Liability)			(14,078)		(7,958)
Creditors : Amounts Falling Due after more than 1 Year	14		(35,000)		(17,000)
NET ASSETS			<u>31,658</u>		<u>25,740</u>
Represented By :					
Non Equity Share Capital	15		-		-
Pension Reserve	18		(870)		(764)
Designated Reserves	16		726		387
Revenue Reserves	16		<u>31,802</u>		<u>26,117</u>
			<u>31,658</u>		<u>25,740</u>

The financial statements on pages 14 to 34 were approved and authorised for issue by the Board on 16 September 2014 and were signed on its behalf by:

 John Glyn Jones – Chair

 Claire Russell Griffiths – Vice Chair

 Rhys Evans – Secretary

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Cash Flow Statement
For the Year Ended 31 March 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net Cash Inflow from Operating Activities			13,928		8,609
Returns on Investments and Servicing Finance					
Interest Received		14		30	
Interest Paid on Loans		(2,231)	(2,217)	(1,280)	(1,250)
Net Cash Flow from Returns on Investments and Servicing of Finance			11,711		7,359
Capital Expenditure					
Purchase and Construction of Housing Properties		(34,077)		(28,751)	
Purchase of Other Fixed Assets		(246)		(169)	
Capital Grants Received		120		45	
Sales of Properties		517		263	
Sales of Other Fixed Assets		-	(33,686)	-	(28,612)
Net Cash (Outflow) before Use of Liquid Resources and Financing	21		(21,975)		(21,253)
Management of Liquid Resources					
(Increase) / Decrease in Short Term Deposits			1,903		(2,085)
Financing					
Loan Advances Received		19,000		24,000	
Loan Principal Repayments		-		-	
Net Cash Inflow from Financing			19,000		24,000
Increase / (Decrease) in Cash			(1,072)		662

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
Reconciliation of Operating Surpluses to Net Cash Inflow from Operating Activities

	2014	2013
	£'000	£'000
Operating Surplus	7,479	9,730
Depreciation of Tangible Fixed Assets	4,143	1,976
Difference Between Pension Charge and Cash Contributions	267	15
Working Capital Movements:		
Decrease in Stock	7	51
(Increase) in Debtors	(391)	(215)
(Increase) in Work in Progress	958	(2,525)
Increase / (Decrease) in Creditors	1,465	(423)
Net Cash Inflow from Operating Activities	13,928	8,609

Reconciliation of Net Cash Flow to Movement in Net Debt

	2014	2013
	£'000	£'000
Increase in cash in the year	(1,072)	662
Cash flow from Changes in Debt	(19,000)	(24,000)
Cash flow from Management of Liquid Resources	(1,903)	2,085
Movement in Net Debt in Year	(21,975)	(21,253)
Net Debt at Commencement of Year	(25,048)	(3,795)
Net Debt at End of Year	(47,023)	(25,048)

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

Cartrefi Cymunedol Gwynedd is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Welsh 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 (updated in 2010) 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 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:

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

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

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.

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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 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.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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 YEAR ENDED 31 MARCH 2014

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover £'000	2014 Operating Costs £'000	Operating Surplus £'000	Turnover £'000	2013 Operating Costs £'000	Operating Surplus £'000
SOCIAL HOUSING LETTINGS	27,618	(20,394)	7,224	26,670	(17,167)	9,503
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	127	(66)	61	117	(74)	43
NON-SOCIAL HOUSING ACTIVITIES						
Lettings of Shops and Other Land	101	(27)	74	97	(25)	72
Letting of Garages to Non Tenants	153	(33)	120	151	(39)	112
TOTAL	27,999	(20,520)	7,479	27,035	(17,305)	9,730

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2014			2013		
	General Housing £'000	Supported Housing £'000	Total £'000	General Housing £'000	Supported Housing £'000	Total £'000
INCOME						
Rents	(21,635)	(1,193)	(22,828)	(20,788)	(1,023)	(21,811)
Service charges	(45)	(408)	(453)	(56)	(469)	(525)
Charges for support services	0	0	0	-	-	-
Rents receivable	(21,680)	(1,601)	(23,281)	(20,844)	(1,492)	(22,336)
Supporting People Contract Income				-	-	-
Service Level Agreement Income	(61)	(4)	(65)	(106)	(3)	(109)
Revenue Grants Received	(3,846)	(254)	(4,100)	(3,846)	(254)	(4,100)
Miscellaneous Income	(161)	(11)	(172)	(111)	(14)	(125)
TOTAL INCOME	(25,748)	(1,870)	(27,618)	(24,907)	(1,763)	(26,670)
EXPENDITURE						
Services	1,701	498	2,199	1,599	533	2,132
Management	7,321	491	7,812	6,779	444	7,223
Routine maintenance	4,537	202	4,739	4,286	226	4,512
Planned maintenance	1,726	13	1,739	1,593	-	1,593
Rent losses from bad debts	107	7	114	109	-	109
Depreciation of Housing Properties	3,705	86	3,791	1,598	-	1,598
TOTAL EXPENDITURE	19,097	1,297	20,394	15,964	1,203	17,167
OPERATING SURPLUS ON LETTINGS ACTIVITIES	(6,651)	(573)	(7,224)	(8,943)	(560)	(9,503)
Void Losses	956	143	1,099	802	167	969

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

4. INTEREST PAYABLE AND INTEREST RECEIVABLE

a. Interest Payable and Similar Charges	2014	2013
	£'000	£'000
On Loans	2,054	1,027
Non Utilisation Fees	177	253
TOTAL	2,231	1,280

b. Interest Receivable and Similar Income	2014	2013
	£'000	£'000
On Investments	14	30
Net Return on Pension Fund Investments	7	14
TOTAL	21	44

5. SURPLUS FOR THE YEAR

	2014	2013
	£'000	£'000
The operating surplus for the year is stated after charging:		
Auditor's Remuneration		
- In their capacity as auditors	17	17
Operating Lease Payments	263	289
Depreciation of Housing Properties	3,791	1,598
Depreciation of Other Assets	328	378

6. TANGIBLE FIXED ASSETS (HOUSING)

	Housing Properties Held for Letting 2014
	£'000
Cost	
At Beginning of Year	51,842
Disposals	(24)
Capitalisation of Improvements at Cost	34,079
Cost at End of Year	85,897
Grant	
At Beginning of Year	695
Grant Received	120
Grant at End of Year	815
Depreciation and Impairment	
At Beginning of Year	2,121
Disposals	(2)
Charge for the Year	3,793
At End of Year	5,912
Net Book Value	
At End of Year	79,170
At Beginning of Year	49,026

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

7. OTHER TANGIBLE FIXED ASSETS

	Offices	Vehicles	Computers, Furniture and Office Equipment	2014 Total	Offices	Vehicles	Computers, Furniture and Office Equipment	2013 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At Beginning of Year	876	174	1,581	2,631	876	174	1,412	2,462
Additions	116	-	130	246	-	-	169	169
Disposals	-	(15)	-	(15)	-	-	-	-
Cost at End of Year	992	159	1,711	2,862	876	174	1,581	2,631
Depreciation								
At Beginning of Year	69	173	717	959	32	115	434	581
Charge for the Year	42	1	309	352	37	58	283	378
Disposals	-	(15)	-	(15)	-	-	-	-
At End of Year	111	159	1,026	1,296	69	173	717	959
Net Book Value								
At End of Year	881	-	685	1,566	807	1	864	1,672
At Beginning of Year	807	1	864	1,672	844	59	978	1,881

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

8. DEBTORS

	2014	2013
	£'000	£'000
Debtors Due Within One Year:		
Arrears of Rent and Service Charges	1,136	1,010
Less : Provision for Bad and Doubtful Debts	(628)	(717)
	508	293
Loans to Staff	3	8
Other Debtors and Prepayments	2,140	1,958
TOTAL	2,651	2,259

9. STOCK

	2014	2013
	£'000	£'000
Building Maintenance Unit Materials	25	33
Staff Benefit Vouchers	1	0
	26	33

10. WORK IN PROGRESS

	2014	2013
	£'000	£'000
WHQS Main Contractor	3,608	4,566
	3,608	4,566

11. SHORT TERM DEPOSITS

	2014	2013
	£'000	£'000
Overnight Deposits	-	1,904
3 Month Fixed Deposit	-	2,000
	-	3,904

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

12. CASH AND BANK DEPOSITS

	2014	2013
	£'000	£'000
Bank Deposits		
Instant Access Deposit Accounts	942	32
Current Bank Account and Cash in Hand	35	17
TOTAL	<u>977</u>	<u>49</u>

13. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	4,391	3,445
Accruals and deferred income	2,400	2,225
Rent and Service Income Received in Advance	495	182
Grants Received but not Applied	184	153
Loan repayments in one year or less	13,000	12,000
TOTAL	<u>20,470</u>	<u>18,005</u>

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

	2014	2013
	£'000	£'000
Loans not Repayable by Instalments		
Between 1 and 2 Years	-	-
Between 2 and 5 Years	6,000	-
Over 5 Years	29,000	17,000
TOTAL	<u>35,000</u>	<u>17,000</u>

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

15. NON EQUITY SHARE CAPITAL

	2014
	£
Shares of £1 each, fully paid and issued at par	
At 1 April 2013	45
Shares Issued During the Year	8
Resignations During the Year	(4)
At 31 March 2014	<u><u>49</u></u>

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

16. RESERVES

	Pension Reserve	Designated Reserves	Revenue Reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2013 as previously stated	(2,192)	387	26,117	24,312
Prior Year Adjustment (note 26)	1,428	-	-	1,428
Balance at 1 April 2013 (restated)	(764)	387	26,117	25,740
Transfer for the Year	(260)	339	(79)	-
Actuarial Gain for the Year	154	-	-	154
Surplus for the Year	-	-	5,764	5,764
Balance at 31 March 2014	(870)	726	31,802	31,658

17. CAPITAL COMMITMENTS

	2014 £'000	2013 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	13,465	33,316
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	1,515	710
TOTAL	14,980	34,026
	2014 £'000	2013 £'000
Cartrefi Cymunedol Gwynedd expects these commitments to be financed with:		
Committed loan facilities	14,980	34,026
TOTAL	14,980	34,026

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.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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 2013 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 2014. 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 2013 to 31st March 2014 was 18.5% (18.5% in 2012/13) 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:

Average Future Life Expectancy at Age 65	Males	Females
Current Pensioners	22.0 years	24.0 years
Future Pensioners	24.4 years	26.6 years

	% per annum	% per annum
	2014	2013
Pension Increase Rate	2.9%	2.8%
Salary Increase Rate	4.7%	5.1%
Expected Return on Assets	5.9%	5.1%
Discount Rate	4.3%	4.5%

	% per annum	Market Value	% per annum	Market Value
	2014	2014	2013	2013
		£'000	(Restated)	(Restated)
				£'000
Expected Return on Assets				
Equities	6.6	6,904	5.7	5,553
Bonds	3.9	1,419	3.0	938
Property	4.8	946	3.9	577
Cash	3.7	189	3.0	144
		9,458		7,212

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

	2014	2013
	£'000	£'000
Fair Value of Employer Assets	9,458	7,212
Present Value of Defined Benefit Obligation	(10,328)	(7,976)
Total Scheme (Liability) / Asset	(870)	(764)

The movement in the net surplus is as follows:

	2014	2013
	£'000	£'000
Contributions Paid	1,222	1,020
Current Service Costs	(1,320)	(1,020)
Past Service Costs	(124)	(15)
Curtailments	(45)	0
Interest Cost	(400)	(282)
Expected Return on Employer Assets	407	296
Actuarial Gain / (Loss)	154	(700)
Net Movement in Year	(106)	(701)

	2014	2013
	£'000	£'000
Net Asset (Liability) at Commencement of Year	(764)	(63)
Net Movement in Year	(106)	(701)
Net Asset / (Liability) at Year End	(870)	(764)

19. DIRECTORS EMOLUMENTS

	2014	2013
	£	£
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	327,831	399,612
The emoluments paid to the highest paid Director excluding pension contributions:	110,000	101,750
The aggregate amount of any compensation paid to Directors or former Directors during the year of account.	39,625	-
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.	38,070	-

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

	2014	2013
The average number of persons employed during the year expressed in full time equivalents (37 hours per week) is:		
	Number	Number
Office staff	187	173
Manual Staff	66	78
Wardens, caretakers and cleaners	11	17
TOTAL	264	268

	2014	2013
	£'000	£'000
Wages and Salaries	7,509	6,598
Social Security Costs	513	471
Pension Costs	1,203	1,041
TOTAL	9,225	8,110

21. CASH FLOW STATEMENT NOTES

Analysis of Changes in Net Debt

	At 1 April 2013 £'000	Cash Flows £'000	At 31 March 2014 £'000
Cash at Bank and in Hand	49	928	977
Debt due in less than 1 year	(12,000)	(1,000)	(13,000)
Debt Due in more than 1 year	(17,000)	(18,000)	(35,000)
Bank Deposits	3,903	(3,903)	0
TOTAL	(25,048)	(21,975)	(47,023)

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

22. LEASES

As at the 31 March 2014 the Association had annual commitments under operating leases as follows:

	2014		2013
	£'000	£'000	£'000
Land and buildings which expire:-			
Leases expiring within the next year	5		25
Leases expiring in the second to fifth year	128		76
Leases expiring in more than five years	-		65
	<hr/>	133	<hr/>
Others, which expire: -			
Expiring within the next year	86		18
Expiring in the second to fifth year	24		90
Expiring in more than five years	-		-
	<hr/>	110	<hr/>
		<hr/> 243 <hr/>	<hr/> 108 <hr/>
		<hr/> 243 <hr/>	<hr/> 274 <hr/>

23. TAXATION STATUS

The Association has charitable status.

24. UNITS

	31 March 2014	31 March 2013
Under management at end of year		
Housing accommodation	5,896	5,902
Supported housing	389	389
	<hr/> 6,285 <hr/>	<hr/> 6,291 <hr/>

25. 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.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

26. RESTATEMENT OF 2013 FIGURES

During 2013/14, agreement was reached with Gwynedd Council as to the value of each organisation's share of the Cartrefi Cymunedol Gwynedd Local Government Pension Scheme Fund. The Council's liability relating to employee's service prior to 2010 is defined in the Transfer Agreement and the Council's Actuaries have revalued CCG's share of the assets and liabilities of the fund based on this agreement. In previous years the entire funds assets and liabilities were shown on CCG's balance sheet. The change in the valuation has required a restatement of the following information:-

Income and Expenditure – the value of the interest receivable and similar income has been reduced from £128k to £44k. Note 4 has also been restated

Balance Sheet – The value of the Pension Liability and corresponding Pension Reserve has been reduced from £2,192k to £764k. Note 18 has also been restated.

Statement of Recognised Gains and Losses – The Surplus for the Year has been restated to reflect the change in Interest Receivable and Similar Income and the Actuarial Loss has been reduced from £1,668k to £700k. This gives a Total Recognised Surplus for the Year of £8,054k compared to the previous figure of £7,170k.