

Financial Statements

For year ended

31 March 2012



CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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CARTREFI CYMUNEDOL GWYNEDD CYF

BOARD MEMBERS AND PROFESSIONAL ADVISORS

BOARD MEMBERS

John Glyn Jones (Chair)
Margaret Bracegirdle (Vice Chair)
Trefor Edwards (28 September 2011)
Richard Humphreys (28 September 2011)
Brian Jones
Claire Russell Griffiths (28 September 2011)
Dewi Lewis (Resigned 20 July 2011)
Anne Lloyd-Jones
Vicky Norton
Alan Moseley (Resigned 28 September 2011)
Dean Swindell
Alun Williams (Resigned September 2011)
John Wyn Williams
Nerys Williams (28 September 2011)

Secretary and Registered Office

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

Executive Officers

Ffrancon Williams - Chief Executive
Lindsay Simons – Director of Corporate Services (resigned September 2011)
Kevin Williams - Director of Corporate Services (September 2011)
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 & Hamlins
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 Year 1 April 2011 to 31 March 2012

The Board presents its report and the audited financial statements for the year 1 April 2011 to 31 March 2012.

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; some 6,300 properties in all. Thus, this is the second year of activities operating under the charitable arm of the Industrial and Provident Societies Act.

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 be the main provider of social housing in Gwynedd and putting the customer at the centre of everything we do.

CCG's vision is backed 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.

CCG also has a number of corporate strategic objectives identified in our Corporate Plan, 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. Promote diversity and 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.

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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. In response to the requirements of the Welsh Housing Regulation Framework, CCG has embraced the Self Assessment process. The assessment is owned by the Board and provides a critical view of achievement of our corporate objectives, promises and service improvements, with an emphasis on the outcomes for tenants and service users. Through providing judgements against the Delivery outcomes, the Board see this as an unique opportunity to reflect on how far CCG has come and has given opportunity to look forward by identify areas for improvement in service provision as well as celebrating successes.

The Self Assessment will be the basis of the Housing Association Regulatory Assessment that will be undertaken by the Welsh Government in the near future.

Operational and Financial Review

Financial performance

Under section 33A of the Housing Act 1996, the Welsh Government undertakes an annual Financial Viability Assessment of Housing Associations following their review the overall conclusion was that CCG was given a judgement of 'Pass with closer regulatory monitoring.' This is defined as that;

"the Association has adequate resources to meet its current and forecasted future business financial commitments. There are one or more areas which warrant closer regulatory monitoring to ensure the financial viability"

The Board considers this to be a positive result and reflects the anticipated position for an organisation of CCG's maturity.

The financial results for the second year of operation compare well to our second year business plan, with a surplus on ordinary activities for the year of £11.939m. This surplus is after receipt of dowry for the year from WG of £4.1m.

CCG had net tangible fixed assets of £23.80m 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. Revenue reserves at the year end amounted to £17.352m, which will be retained within CCG to fund future improvement works.

The balance of loans outstanding stood at £5m at the year end. The loan was drawn down under an £82m facility arrangement with Barclays Bank. The loan will be repaid in April 2031

Assets

There was significant investment in improvement works in the year, with a spend of £18.8m. Together with £6.370m spent in 2010/11, this expenditure represents a solid foundation to deliver CCG's substantial WHQS improvement programme of £136m over the first five years of operation.

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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 are based on Local Authority Guideline rents, and are currently around 5.2% 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 five completions during the year. The proceeds from those sold properties in-year have been incorporated in the revenue accounts for 2011/12.

Key achievements in the year

As still a relatively new social housing landlord, the focus in the second year of operation was to build on the systems, policies and procedures that were created in year one, to develop and continue good working practices with our contractors in order to increase throughput and to strive for a seamless service for all our customers.

Key in-year achievements include:

- Implemented a procurement model to bolster the local economy and secure lasting legacy which divides the WHQS investment programme which enabled local companies to competitively tender for contracts.
- CCG has successfully delivered 102 of the 169 promises made to tenants in the Offer Document prior to transfer.
- Completed our first Self Assessment as required in the new Welsh Housing Regulation Framework. This Board owned assessment critically evaluated the services provided to tenants and stakeholders against set Delivery Outcomes.
- Establishing foundations for effective performance management at a corporate level, our performance management software now enables the necessary links between the Corporate Plan, Service Improvement Plans and Risks to be identified.
- Completed an independent review and implemented a new structure of our Income Management Service
- Strengthened governance and internal control arrangements following the internal audit review, this has included reviewing the Standing Orders, Board Code of Conduct and the development of our Anti Bribery and Anti-Fraud policy.
- The Corporate Risk Management Framework has also been implemented, CCG's 'Risk Champion' has worked with other key staff to develop 10 Corporate Risk Maps, which are monitored by the Audit Committee, and we are in the process of establishing a risk group to monitor the corporate Risk Maps.

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- Development of a Communications Strategy that gives direction to our communication activities for the next 4 years and ensure that communication matters are an integral part of the decision process. The strategy focuses on three key communication areas – internal communications, corporate external communications and a dedicated action plan for the investment programme.
- With the exception of certain posts in the Asset Team, we have successfully filled a number of vacant positions across the organisation enabling us to move forwards significantly with the investment programme and service improvements in key areas.
- We are working towards Investors in People recognition and are developing an Organisation Culture Road Map to accompany our Managing Change Policy – which is seen as integral to the development of the organisation.
- The Joint Declaration of Intent between CCG and the Tenants and Residents Partnership is now being implemented successfully, delivering on a promise made to tenants that CCG would provide opportunities for tenants to influence and help shape the development of the organisation. The Local Tenant Participation Strategy was also developed; this important document provides a framework for tenant involvement.
- Our first comprehensive Tenant Satisfaction Survey was carried out, the results of which provide us with insight to how we are delivering the service areas that matter most to our customers
- CCG’s Welsh Language Plan was formally accepted by the Welsh language Board, the plan outlines how we as an organisation will deliver our services bilingually.

Consistent to our “true to our word” values, this is how we responded to the developments outlined in last year’s report:-

Collation of accurate data to ensure we can assess customer satisfaction levels across all areas of activity	CCG commissioned an independent Customer Satisfaction Survey which will form a baseline position for measuring performance in this key service area. We are currently planning for the introduction of changes and improvements to the delivery of customer services. The impact of these changes will be assessed through further satisfaction surveys
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	The Tenant Profiling exercise will gauge tenant’s preferred option for receiving correspondence, information etc from CCG. CCG’s Communications Forum has been established as part of the Tenants and Residents Partnership. Future initiatives for communicating with tenants and residents will be developed in conjunction with this forum
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	This now in place and the WHQS element is reported to every Board meeting as part of the WHQS progress report

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<p>Rolling out a training package to introduce multi skill training to existing employees</p>	<p>Employees from the existing workforce are now placed on Multi-skilled training courses in partnership with Coleg Menai</p>
<p>Establish upper quartile targets to ensure continuous improvement in all areas</p>	<p>During the financial year the foundations have been established to develop and embed a strong performance culture within CCG. The Covalent Performance Management Software was procured and introduced together with quarterly performance review meetings which feed the development of the Performance Report that is presented to the Operations Committee. Work is ongoing to establish annual improvement targets to plot the journey to achieve top quartile performance. This is a difficult task due to many variables and uncertainties e.g. effect of Welfare Reform Bill on top quartile percentages for income collection</p>
<p>Undertake a review of the voids process with a view to reducing void losses, by identifying and ironing out inefficiencies and improving effectiveness</p>	<p>Review of working practices has been carried out and implemented</p>
<p>Ensuring that lessons learnt from complaints received are translated to changes in service delivery</p>	<p>A regular report is presented to the Executive Management Team to outline nature and scope of official complaints received and identifies any specific trends for sources of the complaints. Work is on-going in terms of ensuring that lessons learnt from complaints are translated into improvements in service delivery. A programme of service standard reviews is being established that will be fed through the Quality Customer Services Forum. The forum will monitor the success and effect of changes introduced to the service standards on service delivery</p>

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<p>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</p>	<p>The Quality Customer Services Forum has considered several key policy and service areas issues. These have included being part of the decision making process that led to the cessation of the door to door rent collection service and the decision to bring vacant properties up to the Welsh Housing Quality Standard before new tenants move in. We have also established a WHQS Tenants Forum. Members of the Forum took part in the contractor selection process for the improvement programme, ensuring that the tenants views were considered. Members are also involved in monitoring contractor performance.</p>
<p>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</p>	<p>The income collection team was restructured during the year and achieved significant improvement by year end.</p> <p>CCG's re-let standards policy was reviewed during the course of the year with void properties now being brought up to the WHQS internally during the void period.</p> <p>Successful pilot projects were run on several sheltered housing schemes to review and modernise the provision of our warden service. As a result of this success, we shall be considering adopting the same or alternative models on other schemes in future.</p>
<p>Review and development of Tenancy Support Services in order to provide an effective service to the most vulnerable members of our communities.</p>	<p>The tenancy support resources have been increased by employing an additional member of staff. A successful pilot to review the provision of sheltered housing services was completed and permanent changes introduced to 3 sheltered warden schemes. Further consultation with tenants will take place on an on-going basis with findings and recommendations presented to Board for consideration and approval</p>

Future developments

The following are key developments that CCG will be pursuing in 2012/13 and into 2013/14:-

- Examine and develop initiatives for CCG to start a new build programme
- Ensure the good progress of the WHQS programme is maintained and delivered within budget and on time
- Review and implement changes to the operation of the Repairs and Maintenance Service with a view to develop into an efficient outfit able to compete with the private sector

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- Improve Health & Safety management arrangements (to include the commissioning of specialist consultancy to assist with implementation of key aspects)
- Improve performance management arrangements (staff appraisals, performance management services)
- Identify impact of Welfare Reform and implement mitigating actions where possible
- Consult with tenants on Welsh Government's new rent policy and implementation
- Review of Service Level Agreements with Gwynedd Council and secure service provision from April 2013 onwards
- Implement the Action Plan associated with the newly adopted Financial Inclusion Strategy
- Review of our delivery of Customer Services in response to the Tenants Satisfaction Survey
- Embedding corporate performance management across the organisation with the development of a Performance Management Framework.
- Ensuring that our Self Assessment drives service improvements – focusing on the outcome for our tenants and service users.
- Implementation of the Board Development Plan, which will help ensure that our Board members have the necessary skills and knowledge to continue providing the strategic direction for CCG.
- Ensure the full implementation of our Welsh Language Plan, whilst preparing for the changes anticipated in the new Welsh language measure.

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 – 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. Members are from a wide background, bringing a range of professional, commercial and local experiences to CCG. During the year CCG held our first tenant election to the Board, the process generated great interest with over 20% of tenants using their right to vote.

The Standing Orders which detail the roles and responsibilities of the four committees (Audit, Finance, Operations and Human Resources & Remuneration) was recently reviewed in order to strengthen overall governance and scrutiny. This will enable the Board to maintain a focus on the policy framework and the overall strategic direction of CCG whilst the committees have the delegated powers to provide the scrutiny.

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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.

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.

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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 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:

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; for example, the top 20 significant corporate risks are reported to the Board annually. 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.

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 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.

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.

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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 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 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 9, 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 2012 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: 19 September 2012



Income and Expenditure Account
For the Year 1 April 2011 to 31 March 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	26,164	25,964
Operating Costs	2	(13,508)	(19,078)
Operating Surplus		12,656	6,886
Surplus on Sale of Fixed Assets		362	118
Interest Receivable and Similar Income		40	10
Interest Payable and Similar Charges	4	(1,119)	(866)
Surplus on Ordinary Activities for the Year	5	11,939	6,148

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



Statement of Total Recognised Surpluses and Deficits

For the Year 1 April 2011 to 31 March 2012

	Notes	2012 £'000	2011 £'000
Surplus for the Year		11,939	6,148
Actuarial (Loss) / Surplus	18	(952)	7
Total Recognised Surplus for the Year		10,987	6,155

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Balance Sheet As at 31 March 2012

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Tangible Fixed Assets					
Housing Properties at Cost less Depreciation	6	22,571		6,287	
Other Grants	6	<u>(650)</u>		<u>(650)</u>	
			21,921		5,637
Other Tangible Fixed Assets	7		<u>1,881</u>		<u>1,906</u>
			23,802		7,543
Current Assets					
Debtors (including prepayments)	8	2,045		1,188	
Stock	9	84		238	
Work in Progress	10	2,042		73	
Short Term Deposits	11	1,818		1,902	
Cash at Bank and in Hand	12	<u>29</u>		<u>1,555</u>	
			6,018		4,956
Current Liabilities					
Creditors : Amounts Falling Due Within One Year	13		<u>(7,071)</u>		<u>(6,502)</u>
Net Current Liabilities excluding Pension (Liability) / Asset			(1,053)		(1,546)
Pension (Liability) / Asset	18		(607)		158
Net Current Liabilities Including Pension (Liability) / Asset			(1,660)		(1,388)
Creditors : Amounts Falling Due after more than 1 Year	14		(5,000)		-
NET ASSETS			<u>17,142</u>		<u>6,155</u>
Represented By :					
Non Equity Share Capital	15		-		-
Pension Reserve	18		(607)		158
Designated Reserves	16		397		10
Revenue Reserves	16		<u>17,352</u>		<u>5,987</u>
			<u>17,142</u>		<u>6,155</u>

The financial statements on pages 14 to 18 were approved and authorised for issue by the Board on 19 September 2012 and were signed on its behalf by:

John Glyn Jones – Chair

Margaret Bracegirdle – Vice Chair

Kevin Williams – Secretary

Cash Flow Statement
For the Year Ended 31 March 2012

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Net Cash Inflow from Operating Activities			13,186		7,877
Returns on Investments and Servicing Finance					
Interest Received		40		10	
Interest Paid on Loans		(314)	(274)	(136)	(126)
Net Cash Flow from Returns on Investments and Servicing of Finance			12,912		7,751
Capital Expenditure					
Purchase and Construction of Housing Properties		(16,724)		(6,370)	
Purchase of Other Fixed Assets		(314)		(2,192)	
Capital Grants Received		-		650	
Sales of Properties		354		113	
Sales of Other Fixed Assets		20	(16,664)	5	(7,794)
Net Cash (Outflow) before Use of Liquid Resources and Financing	21		(3,752)		(43)
Management of Liquid Resources					
(Increase) / Decrease in Short Term Deposits			84		(1,902)
Financing					
Loan Advances Received		5,000		3,500	
Loan Principal Repayments		(3,500)		-	
Net Cash Inflow from Financing			1,500		3,500
(Decrease) / Increase in Cash			(2,168)		1,555

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 

Reconciliation of Operating Surpluses to Net Cash Inflow from Operating Activities

	2012	2011
	£'000	£'000
Operating Surplus	12,656	6,886
Depreciation of Tangible Fixed Assets	767	368
Difference Between Pension Charge and Cash Contributions	(992)	(881)
Working Capital Movements:		
Decrease / (Increase) in Stock	154	(237)
(Increase) in Debtors	(857)	(1,188)
(Increase) in Work in Progress	(1,969)	(73)
Increase in Creditors	3,427	3,002
Net Cash Inflow from Operating Activities	13,186	7,877

Reconciliation of Net Cash Flow to Movement in Net Debt

	2012	2011
	£'000	£'000
Increase in cash in the year	(2,168)	1,555
Cash flow from Changes in Debt	(1,500)	(3,500)
Cash flow from Management of Liquid Resources	(84)	1,902
Movement in Net Debt in Year	(3,752)	(43)
Net Debt at Commencement of Year	(43)	0
Net Debt at End of Year	(3,795)	(43)



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 (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



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 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.

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 2012



2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2012	2012	Operating		2011	2011
	Turnover	Operating	Surplus	Turnover	Operating	Operating
	£'000	Costs	£'000	£'000	Costs	Surplus
		£'000	£'000		£'000	£'000
SOCIAL HOUSING LETTINGS	25,760	(13,205)	12,555	25,511	(18,880)	6,631
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	124	(158)	(34)	176	(77)	99
NON-SOCIAL HOUSING ACTIVITIES						
Lettings of Shops and Other Land	110	(57)	53	100	(44)	56
Letting of Garages to Non Tenants	170	(88)	82	177	(77)	100
TOTAL	26,164	(13,508)	12,656	25,964	(19,078)	6,886

CARTREFI CYMUNEDOL GWYNEDD CYF
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012



3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2012			2011		
	General Housing £'000	Supported Housing £'000	Total £'000	General Housing £'000	Supported Housing £'000	Total £'000
INCOME						
Rents	(19,894)	(1,084)	(20,978)	(18,100)	(1,532)	(19,632)
Service charges	(48)	(425)	(473)	(133)	(292)	(425)
Charges for support services	-	-	-	-	-	-
Rents receivable	(19,942)	(1,509)	(21,451)	(18,233)	(1,824)	(20,057)
Supporting People Contract Income	-	-	-	-	-	-
Service Level Agreement Income	(156)	(6)	(162)	(149)	(8)	(157)
Revenue Grants Received	(3,847)	(253)	(4,100)	(4,832)	(455)	(5,287)
Miscellaneous Income	(47)	-	(47)	(9)	(1)	(10)
TOTAL INCOME	(23,992)	(1,768)	(25,760)	(23,223)	(2,288)	(25,511)
EXPENDITURE						
Services	1,214	231	1,445	1,168	725	1,893
Management	4,615	324	4,939	8,468	798	9,266
Routine maintenance	4,861	250	5,111	6,198	152	6,350
Planned maintenance	1,173	0	1,173	1,061	-	1,061
Rent losses from bad debts	92	5	97	227	-	227
Depreciation of Housing Properties	440	-	440	83	-	83
TOTAL EXPENDITURE	12,395	810	13,205	17,205	1,675	18,880
OPERATING SURPLUS ON LETTINGS ACTIVITIES	(11,597)	(958)	(12,555)	(6,018)	(613)	(6,631)
Void Losses	424	105	529	355	50	405

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012



4. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£'000	£'000
On Loans	314	136
On Pension Fund	805	730
TOTAL	1,119	866

In addition the association incurred £309,216 (£304,395 in 2010/11) 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

	2012	2011
	£'000	£'000
The operating surplus for the year is stated after charging:		
Auditor's Remuneration		
- In their capacity as auditors	16	17
Operating Lease Payments	229	165
Depreciation of Housing Properties	440	83
Depreciation of Other Assets	327	280

6. TANGIBLE FIXED ASSETS (HOUSING)

	Housing Properties Held for Letting 2012 £'000
Cost	
At Beginning of Year	6,370
Capitalisation of Improvements at Cost	16,724
Cost at End of Year	23,094
Grant	
At Beginning of Year	650
Grant Received	-
Grant at End of Year	650
Depreciation and Impairment	
At Beginning of Year	83
Charge for the Year	440
At End of Year	523
Net Book Value	
At End of Year	21,921
At Beginning of Year	5,637

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012



7. OTHER TANGIBLE FIXED ASSETS

	Offices	Vehicles	Computers, Furniture and Office Equipment	2012 Total	Offices	Vehicles	Computers, Furniture and Office Equipment	2011 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At Beginning of Year	812	211	1,161	2,184	-	-	-	-
Additions	64	-	251	315	812	219	1,161	2,192
Disposals	-	(37)	-	(37)	-	(8)	-	(8)
Cost at End of Year	876	174	1,412	2,462	812	211	1,161	2,184
Depreciation								
At Beginning of Year	16	68	194	278	-	-	-	-
Charge for the Year	16	71	240	327	16	70	194	280
Disposals	-	(24)	-	(24)	-	(2)	-	(2)
At End of Year	32	115	434	581	16	68	194	278
Net Book Value								
At End of Year	844	59	978	1,881	796	143	967	1,906
At Beginning of Year	796	143	967	1,906	-	-	-	-

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012



8. DEBTORS

	2012	2011
	£'000	£'000
Debtors Due Within One Year:		
Arrears of Rent and Service Charges	973	1,129
Less : Provision for Bad and Doubtful Debts	<u>(706)</u>	<u>(750)</u>
	267	379
Staff Car Loans	16	33
Other Debtors and Prepayments	1,762	776
TOTAL	<u>2,045</u>	<u>1,188</u>

9. STOCK

	2012	2011
	£'000	£'000
Building Maintenance Unit Materials	<u>84</u>	<u>238</u>
	84	238

During the year, the management of the Building Maintenance Unit Stores was transferred to Travis Perkins, who purchased the majority of the stock for £90,003. The value of the stock shown in the accounts represents the value of the remaining stock which will be disposed of during 2012/13

10. WORK IN PROGRESS

	2012	2011
	£'000	£'000
WHQS Penrhyn Pilot Scheme	-	73
WHQS Main Contractor	<u>2,042</u>	<u>-</u>
	<u>2,042</u>	<u>73</u>

11. SHORT TERM DEPOSITS

	2012	2011
	£'000	£'000
Overnight Deposits	1,818	1,400
15 Day Notice Account	<u>-</u>	<u>502</u>
	<u>1,818</u>	<u>1,902</u>

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012



12. CASH AND BANK DEPOSITS

	2012	2011
	£'000	£'000
Bank Deposits		
Instant Access Deposit Accounts	26	1,539
Current Bank Account and Cash in Hand	3	16
TOTAL	<u>29</u>	<u>1,555</u>

13. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£'000	£'000
Amounts falling due within one year:		
Bank Overdraft	642	-
Trade creditors	4,793	1,050
Accruals and deferred income	1,397	1,777
Rent and Service Income Received in Advance	126	160
Grants Received but not Applied	113	15
Loan repayments in one year or less	-	3,500
TOTAL	<u>7,071</u>	<u>6,502</u>

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

	2012	2011
	£'000	£'000
Loans not Repayable by Instalments		
Between 1 and 2 Years	-	-
Between 2 and 5 Years	-	-
Over 5 Years	5,000	-
TOTAL	<u>5,000</u>	<u>-</u>

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

15. NON EQUITY SHARE CAPITAL

	2012
	£
Shares of £1 each, fully paid and issued at par	
At 1 April 2011	19
Shares Issued During the Year	20
At 31 March 2012	<u>39</u>

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012



16. RESERVES

	Pension Reserve	Designated Reserves	Revenue Reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2011	158	10	5,987	6,155
Transfer for the Year	187	387	(574)	0
Actuarial Gain for the Year	(952)	-	-	(952)
Surplus for the Year	-	-	11,939	11,939
Balance at 31 March 2012	(607)	397	17,352	17,142

17. CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	8,799	8,684
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	18,321	7,609
TOTAL	27,120	16,293
	2012 £'000	2011 £'000
Cartrefi Cymunedol Gwynedd expects these commitments to be financed with:		
Committed loan facilities	27,120	16,293
TOTAL	27,120	16,293

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.

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 

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 2012. 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 2011 to 31st March 2012 was 18.5% (19.9% in 2010/11) 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	20.5 years	23.0 years
Future Pensioners	23.3 years	25.6 years

	% per annum	% per annum
	2012	2011
Pension Increase Rate	2.5	2.8
Salary Increase Rate	4.8	5.1
Expected Return on Assets	5.6	6.9
Discount Rate	4.8	5.5

	% per annum	Market Value	% per annum	Market Value
	2012	2012	2011	2011
		£'000		£'000
Expected Return on Assets				
Equities	6.2	11,961	7.5	10,818
Bonds	3.3	1,993	4.9	1,850
Property	4.4	1,227	5.5	1,281
Cash	3.5	153	4.6	285
		15,334		14,234

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012



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

	2012	2011
	£'000	£'000
Fair Value of Employer Assets	15,334	14,234
Present Value of Defined Benefit Obligation	(15,941)	(14,076)
Total Scheme (Liability) / Asset	(607)	158

The movement in the net surplus is as follows:

	2012	2011
	£'000	£'000
Contributions Paid	838	742
Current Service Costs	(822)	(755)
Past Service Costs	(44)	0
Interest Cost	(805)	(730)
Expected Return on Employer Assets	1,020	894
Actuarial Gain / (Loss)	(952)	7
Net Movement in Year	(765)	158

	2012	2011
	£'000	£'000
Net Asset at Commencement of Year	158	-
Net Movement in Year	(765)	158
Net Asset / (Liability) at Year End	(607)	158

19. DIRECTORS EMOLUMENTS

	2012	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	342,208	337,586
The emoluments paid to the highest paid Director excluding pension contributions:	85,000	90,452
The aggregate amount of any compensation paid to Directors or former Directors during the year of account.	-	-
The aggregate amount of Directors or past Directors' pensions, excluding amounts payable under a properly funded pension scheme.	-	-
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director.	-	19,362

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012



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

	2012	2011
The average number of persons employed during the year expressed in full time equivalents (37 hours per week) is:		
	Number	Number
Office staff	136	117
Manual Staff	65	59
Wardens, caretakers and cleaners	12	13
TOTAL	213	189
	2012	2011
	£'000	£'000
Wages and Salaries	5,424	5,316
Social Security Costs	385	344
Pension Costs	860	834
TOTAL	6,669	6,494

21. CASH FLOW STATEMENT NOTES

Analysis of Changes in Net Debt

	At 1 April 2011 £'000	Cash Flows £'000	At 31 March 2012 £'000
Cash at Bank and in Hand	1,555	(2,168)	(613)
Debt due in less than 1 year	(3,500)	3,500	-
Debt Due in more than 1 year	-	(5,000)	(5,000)
Bank Deposits	1,902	(84)	1,818
TOTAL	(43)	(3,752)	(3,795)

CARTREFI CYMUNEDOL GWYNEDD CYF

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012



22. LEASES

As at the 31 March 2012 the Association had annual commitments under operating leases as follows:

	2012		2011
	£'000	£'000	£'000
Land and buildings which expire:-			
Leases expiring within the next year	3		-
Leases expiring in the second to fifth year	66		56
Leases expiring in more than five years	49		32
		118	88
Others, which expire: -			
Expiring within the next year	35		-
Expiring in the second to fifth year	101		134
Expiring in more than five years	-		-
		136	134
		254	222

23. TAXATION STATUS

The Association has charitable status.

24. UNITS

	31 March 2012	31 March 2011
Under management at end of year		
Housing accommodation	5,907	5,913
Supported housing	389	389
	6,296	6,302

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 in 2010/11. The costs incurred were as follows:

	2012	2011
	£'000	£'000
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
TOTAL	-	5,194



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.