

# Annual Report and Financial Statements 2019



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*Cover picture: Six year old Kyron Kinsey with his dad Will at their new adapted home in Bridgend.*

*Below: WWH's new affordable housing development at Parc y Cefn in Fishguard, Pembrokeshire*

Our vision is:

“strong sustainable growth to  
make a difference to people's  
lives, homes and communities”



# Chair's report



**Alex Ashton**  
Chair of the Board

Having been on the Board for several years it gives me an enormous sense of pride to be the Chair of such a great organisation, full of great people dedicated to the Wales & West Housing Way and truly making a difference to lives, homes and communities.

We make a difference to people's lives by giving them a secure place to call their own, to raise their family, to make careers or form new businesses and confront the other challenges they face in their lives. We make a difference to people's homes by investing to keep them in good condition, improving standards of living, helping to tackle fuel poverty and giving the children who grow up in our homes the best start in life. We make a difference to people's communities by standing side-by-side with them in the challenges they face, bringing diverse groups of people together, helping them to help themselves and one another, and addressing anti-social behaviour wherever it occurs.

I became Chair in June, but I have been involved with Wales & West Housing one way or another for over 15 years and I have seen the development and growth that has made it the Best Companies 3 star "extraordinary employer" it is today. This is testament to the hard work and dedication of our staff and I want to thank each and every one of them for their amazing work. However, we would not be here if it was not for the people who live in our homes. In a Welsh context, we are a large housing association yet have not lost our deeply held social purpose. We build homes and we also build relationships - behind every one of our 12,000 front doors are individuals and families who we want to see thrive in their homes.



Extraordinary

**INVESTORS IN PEOPLE™**  
We invest in people Platinum

Over the past year the Board has been on a mission to get out into the work place and meet the people who live in our properties. I was privileged to accompany one of our brilliant housing officers around Bridgend. This is an area I feel I know well, having lived in the town for 30 years, yet I learnt a lot that day. I learnt about the impact that changes in the benefit system are having on some of our residents. One visit that stood out for me was to the home of an older gentleman. He always paid his rent on time, was never in arrears, yet he told us how he was struggling to manage the new online Universal Credit system. It was so rewarding to see the open, trusting relationship he had with us and how we were supporting him. That day I also saw the practical

ways that our new rent management system is making a difference to support our residents. These are the daily challenges that we face, but these are challenges that we rise to.

I feel honoured to be part of this organisation that is so true to its values and I am incredibly positive about what the future holds, a view which I know is shared by my fellow Board members. We are proud of the work that our staff do each and every day to support some of the most vulnerable in society. As we move into 2020 and beyond, we will continue to focus on solving the right problems with our residents: one person, one contact, one step at a time.



# Group Chief Executive's report



**Anne Hinchey**  
Group Chief Executive

In 2019, we have once again delivered new homes, delivered a strong financial performance and delivered a high quality service to our residents. We focus on value for money, making sure we run an efficient business, with high levels of customer satisfaction, and which delivers social value.

**12,018 homes**

owned or managed (2018: 11,934)

We have significantly increased our development capacity over the year, with 708 homes on site at the end of the year and over 1,000 further plots in our development pipeline. We completed 106 badly needed new rented homes in 2019, adding to our portfolio, and will deliver many more over the coming few years. We also delivered 22 low cost home ownership homes, helping those who aspire to own their own home but who cannot afford to pay full market price. We will do more of this in the coming years, both in building our own and in partnership with housebuilders.

Our work on identifying the right assets in our portfolio continued in the year. The vast majority of our homes are ones that we can be proud of, providing a safe and secure environment for our residents to call home. Where we cannot create this environment, even with good investment, then we will divest ourselves of unsuitable properties and plough that money back into building high quality modern homes. We also took the decision to buy back, where possible, leasehold flats to help us have even greater control of fire safety in our flatted schemes. Over the year, taking account of buy backs, disposals and new developments, there has been a net increase of 84 homes during the year, taking our portfolio to a total of 12,018 homes owned or managed across the whole of Wales.





Staff participating in interactive sessions at our Staff Conference



**£7.4 million**

Association free cash inflow  
(2018: £6.4 million)

Our principal financial metric, free cash flow, increased for the consolidated Group by 16.1% to £7.4 million and in the Association by 15.1%, also to £7.4 million. This reflects growth in rental income, through inflationary rent increases and the development of new homes, our long-term approach to property reinvestment, our carefully managed maintenance programme and the effectiveness of our treasury strategy. We have a strong balance sheet position, which includes a significant unsecured asset portfolio, which provides the flexibility and security to borrow funds at preferential rates to develop more homes and to confidently address future challenges and opportunities. Our average rate of interest on our borrowings was 3.49%, with 96% of our borrowing at fixed rates, providing long-term cost certainty.

**3.49%** average loan  
interest rate  
(2018: 3.53%)

Investing in our existing homes is important to us, keeping our residents safe and secure. We spent over £11.5m in 2019, installing new kitchens, bathrooms, boilers and more, with much of that work done by Cambria, our maintenance business.

Our care business (Castell) continues to grow, winning new contracts in North and West Wales. The range of care and support services that Castell provides, as well as catering services at our three extra care schemes, really does make a personal difference to people's lives.

Our biggest project of the year was the creation and installation of our own housing management system, built on the Microsoft Dynamics platform, to replace legacy systems. This has been truly transformational for our business, particularly in how we understand how we make the right arrangements with residents to pay their rent.

We are a strong housing association and we provide high quality services to our residents. We have a sound business model and a balance sheet that gives us the capacity to do even more. It is the right thing to do to use our strength to make a difference for both the residents of the future and our current residents. We are a proudly Welsh organisation and that means playing our part in solving the housing crisis in Wales. We want a Wales where good housing is a basic right for all. Whatever the future holds, we have a way of working, the Wales & West Housing Way, which allows us to do the right thing efficiently and effectively time and again and means that we are well placed to continue to make a difference to people's lives, homes and communities.

# The Wales & West Housing Way

Every organisation has a culture and we are very deliberate in shaping ours and making sure that customers are at the centre.

We express our culture as a series of interconnected cogs, each working together with its neighbour to create a cohesive whole which is easy to understand and designed to be used in the real world. The central cog has customers at the centre and summarises our culture in three segments, a Vision for 'Making a Difference', Behaviours showing 'Integrity in everything' and Actions to 'Do the right thing'.

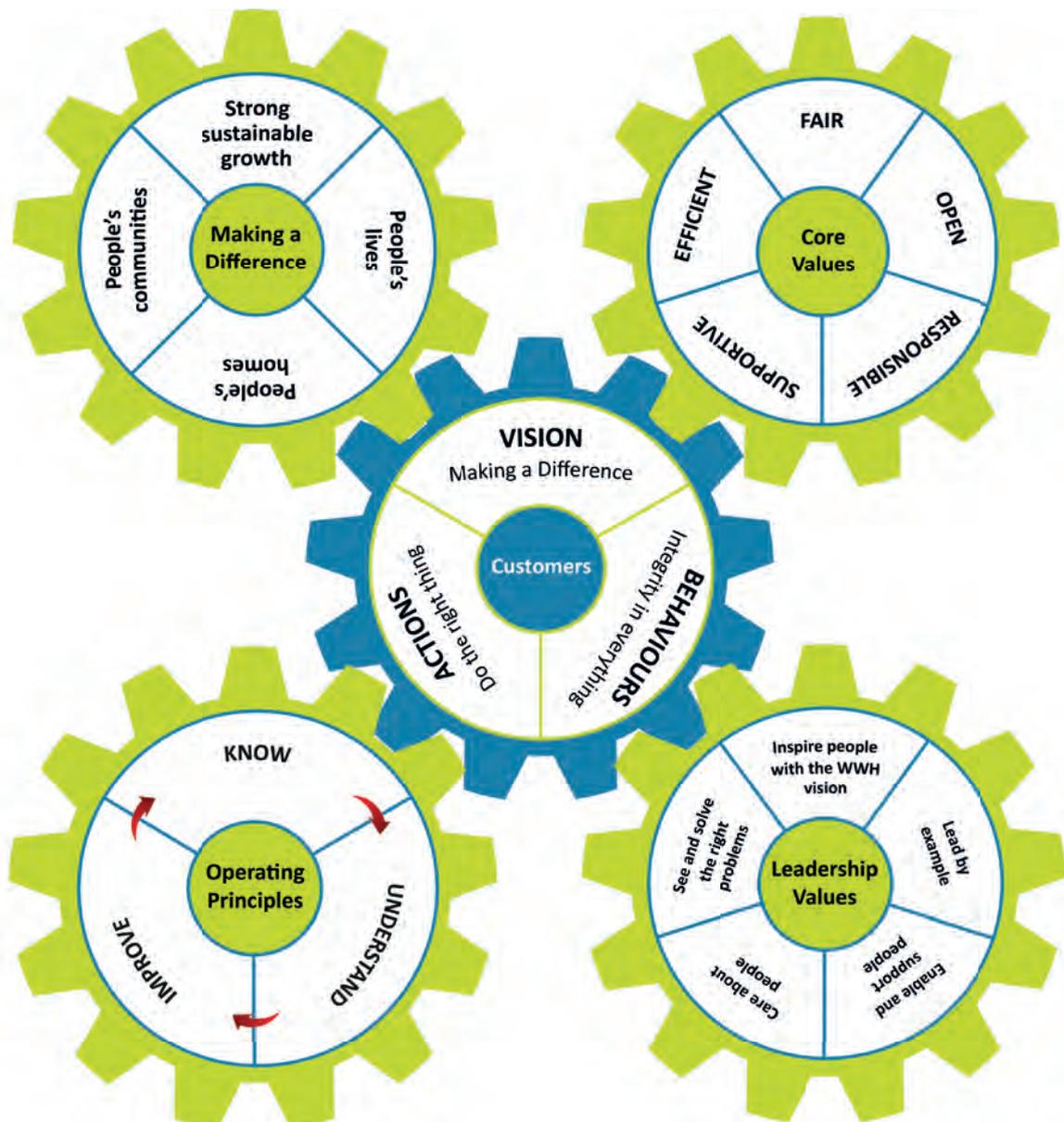
They act like our head, heart and hands; the vision we see that inspires us, the values we believe that

drive our behaviour and the actions we take to do the right thing for staff and customers alike.

This culture is the Wales & West Housing Way.

The surrounding interconnecting cogs expand on the Vision, Behaviours and Actions to give a practical recipe for what it means to make a difference, have integrity in everything and to do the right thing.

Each cog is focussed on providing practical guidance and tools centred on making our Vision a reality using our Core Values, Leadership Values and Operating Principles.



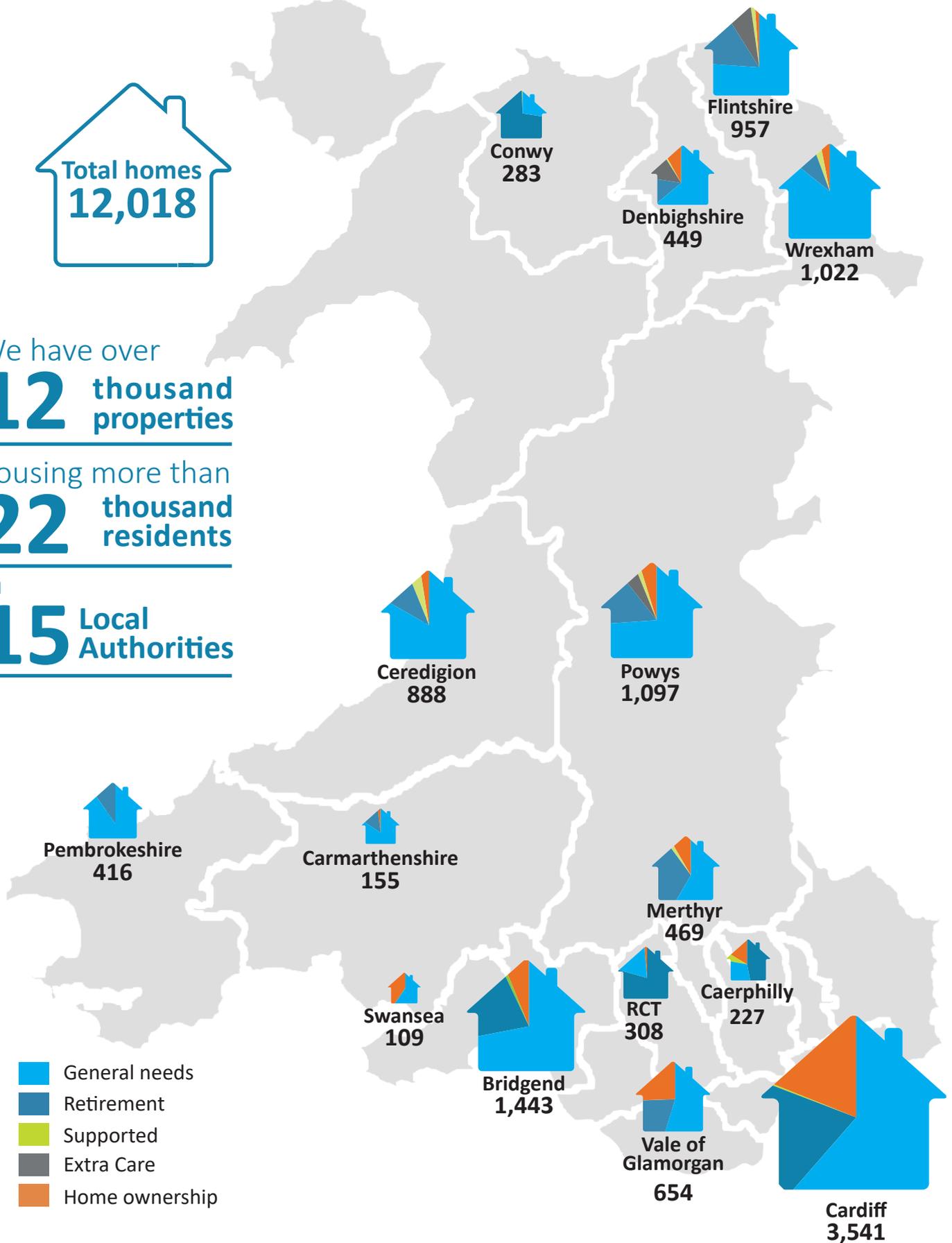
# Communities across Wales



We have over  
**12** thousand properties

housing more than  
**22** thousand residents

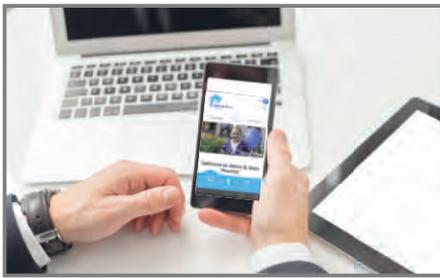
in  
**15** Local Authorities



- General needs
- Retirement
- Supported
- Extra Care
- Home ownership

# Our strategic priorities

This report reflects the six strategic priorities set out in our Business Plan 2020-2024, providing commentary and measures of our progress against the goals it contains.



Digital  
**TRANSFORMATION**



Building  
**MORE** homes



**INVEST** in the  
right homes



**CARE** for and improve  
**WELLBEING**



Tackle  
**HOMELESSNESS**



**EFFICIENT** and  
**AFFORDABLE** for all

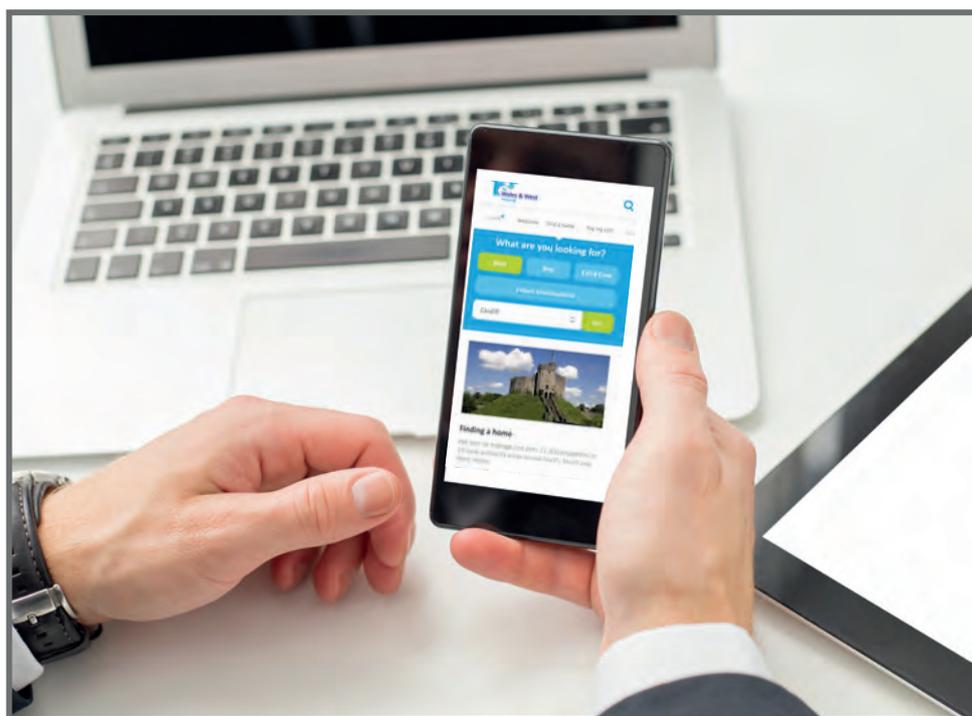
# Digital transformation

We have been on a journey to transform our business to focus on what matters to our residents and to design service delivery from a customer perspective. One of the key stages of this journey is digital transformation, using a single operating platform that will help residents and staff access services in the way that best suits them.

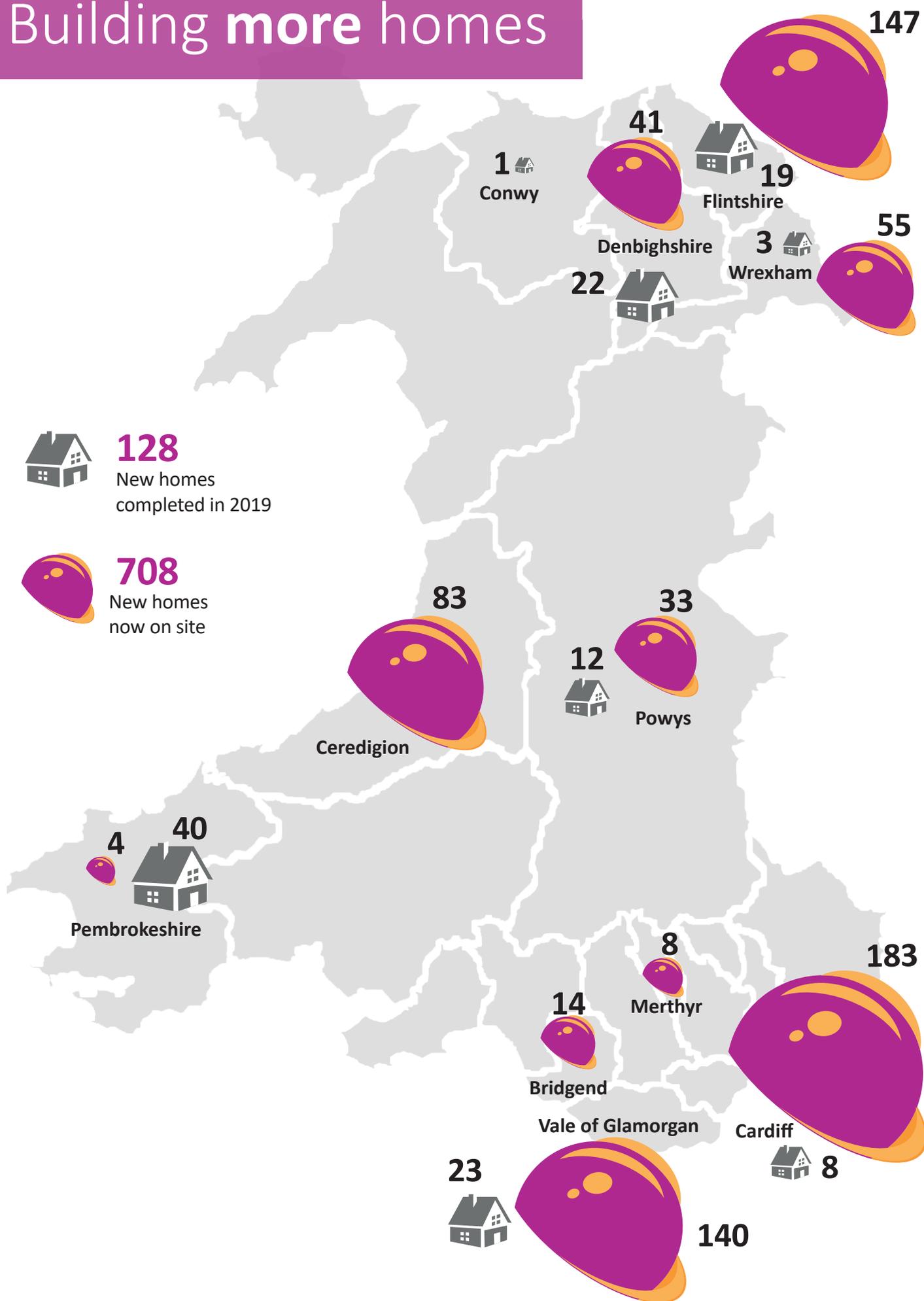
During the year, we have moved from our legacy housing system to our own system, built on the Microsoft Dynamics platform. The new master housing system, a single platform, will assist us in removing the barriers to our future digital transformation. It has been a huge piece of work, both technologically and culturally, changing the way that our housing, customer service and finance teams work. This has been achieved by working with trusted ICT development partners, designing the system from the ground up. We will continue to work in partnership as we expand the transformation work across other areas of our business. The new system is truly a result of co-production between our residents, staff and our partners - preparing a specification based on our engagement with customers, testing it with staff who actually know the work, learning what works and what was needed. We then tested the prototypes with staff and residents to prepare a final design brief, from which we had software built to our specification.

The new platform has allowed us to use the system to allow us to focus on payment plans with residents. We have always had arrangements with our residents on how they will pay their rent and clear any arrears. We are now able to capture this in a much better way, with the system now able to forecast outcomes and tell us when someone hasn't done what they said they would do. We have learnt that getting to the resident quickly to support them and get them back on track with their rent is the key to success. The new system will serve us well as the number of Universal Credit cases increases, with all of the problems that system brings.

Not unsurprisingly this all works best when we give people the right tools to do the job, so this year there was a real focus on giving people the right access to information, the right kit to get to that information and the right training to use it all well. During the year we have transferred the majority of our data from legacy drives into the cloud. This puts our data in one place, accessible to everyone from anywhere. We have rolled out an app that allows staff to access areas of the system remotely, enabling staff to see things even offline. We moved all of our email accounts to Office online and we have refreshed all of the hardware for our field based staff.



# Building more homes



Building new homes for the residents of tomorrow is really important to us, as we play our part in solving the housing crisis in Wales. We were pleased to deliver **128 NEW HOMES** during 2019, which included 106 homes for letting (of which 2 were specially built for supported living) and 22 Low Cost Home Ownership (LCHO) homes.

We have scaled up our development programme significantly this year and are going to deliver even more new homes in the next few years. We are currently **ON SITE BUILDING ANOTHER 708 NEW HOMES** across Wales and have over 1,000 further plots in our development pipeline. The map opposite shows where new homes were completed and those on site are located.

Our ambition is significant, underpinned by our financial strength. Over the next ten years, we expect to **SPEND OVER £500M DELIVERING NEW HOMES** all across Wales. Our priority will continue to be, as it always has been, providing social rented housing. However, Wales needs homes of all types and tenures and we intend to develop homes for low cost home ownership alongside our social housing programme. We will undertake this work with our Welsh development partners, building ever larger sites and giving these SME businesses certainty of work, helping them to plan for their futures and allowing them to grow with confidence over the period of the contract, adding further value to Wales.

It is important to us not just to build more homes, but to build more good quality homes. We were very pleased that the quality of our work has been recognised with two of our schemes, Victoria Garage in Ruabon and Pentland Close in Cardiff, winning awards at the Welsh Housing Awards 2019.

The challenge of the future is to move away from traditional ways of building to achieve the high standards of energy efficiency, air tightness and low carbon we aspire to. We will learn a step at a time, which has always been our strength as an organisation and will be our approach moving forward.



*Local councillors are shown around our new development sites at:*

1. *Maes Y Mor extra care scheme overlooking Aberystwyth Harbour*
2. *Our 100 home development at Clive Lane, Grangetown, Cardiff*
3. *Our development of 82 accessible apartments for mostly older people at Pentland Close, Llanishen, Cardiff*
4. *The first homes for social rent to be built in Newport, Pembrokeshire for more than 12 years at Iard Y Parrog*

# Invest in the right homes

A decent, safe and warm home is so fundamental to living a good life and we want every one of our residents to be in the right home for them. Ensuring our homes are of a high quality is important to us which is why we have maintained compliance with the Welsh Housing Quality Standards (WHQS), with a very low level of acceptable fails. We have achieved this by investing the right amount in our properties, which in 2019 was over £11.5m. During the year we delivered almost 400 new kitchens, 220 bathrooms, over 40 roofing projects, nearly 470 windows, doors and roofline projects and around 250 groundwork and external projects. We have also completed more than 450 adaptations, allowing residents to stay in their existing homes as their circumstances change.

We have continued to focus on keeping our homes safe and on being able to evidence that they are. During the year we have completed further works relating to fire safety and are currently following up actions from the recently published phase one report from the Grenfell public inquiry. To evidence compliance, we have introduced property assurance frameworks which capture our approach and actions for the major compliance areas of gas, electricity, fire, asbestos and legionella.

In 2019, Welsh Government declared a climate emergency and commissioned the 'Better Homes, Better Wales, Better World' report, which sets an ambitious road map to reduce carbon emissions. To help us plan our response, we are reviewing the information we hold about our homes and are meeting several times a year to run through, region by region, all of the homes we own. It enables us to understand which homes are doing well, which are struggling and allows us to gather information about our homes in terms of their operating efficiency. We've already taken some steps, with air source heat pumps fitted in over 420 of our homes and in 2019 we installed a shared loop Ground Source Heat Pump at Bro Castell in Pencader. The vast majority of our homes make for good housing and we will keep them for the long term. There are a very small number of homes where the challenges of the property mean that it is hard to provide a warm, spacious and safe home. Where this is the case, a number of these properties have been sold in 2019, with the proceeds invested in building new homes.



# Care for and improve wellbeing

We see at first hand that the need and demand for care and support service is insatiable, but it is a challenging business, where the expectations are high from both commissioners and understandably the people being cared for. As the demand is huge we could have been drawn into wide ranging and extensive service provision for everyone but we have resisted that temptation. Instead we focus on services to our residents and other people in the community where that additional service provision helps us be more resilient and cost effective.

We have continued to grow sustainably during the year, operating in a way that uses our approach to service delivery to make a difference to how we care for and support residents. We work closely with the residents to understand what matters and put in place care and support plans that reflect the outcomes they are seeking. We have a solid reputation for the quality of our services and the outcomes achieved are overwhelmingly positive, with lives transformed and people more able to realise their potential.

During 2019, we continued to operate three Extra Care facilities in North and Mid Wales, providing a balance between independent living and accessibility for

domiciliary care and other support services for both older persons and those with complex needs from a range of backgrounds. We provide the domiciliary care services at one of these Extra Care schemes, and the catering services at restaurants in all three schemes. Our Extra Care schemes have delivered high levels of resident satisfaction, successful outcomes with progressively reducing care needs for residents after moving in and significant savings compared with full-time care or nursing home provision. We will add a further two Extra Care schemes over the next two years to our service.

Our subsidiary Castell Ventures was successful in winning a place on a number of frameworks to deliver services in Powys, North Wales and Ceredigion following a busy year of tenders. Castell also opened a new support service during the year for an individual with complex needs. This new service being won on reputation rather than through a tender process. During the year, Castell also became registered with the Care Inspectorate Wales in West Wales, meaning that it is now registered to provide services in eight Welsh counties.



# Tackle homelessness

There is a rising tide of homelessness and rough sleeping in Wales. The latest statistics tell us that 2019 saw an increase of 18% in households threatened with homelessness, a 4% increase in the number of homeless households (up to almost 1 in 100 people being homeless) and an 18% increase in the number of homeless households who are in priority need. Only a small percentage of this homelessness is because of evictions from social housing, but Welsh Government have made it clear that they want to see an end to evictions into homelessness from social housing and this absolutely aligns with our approach.

Our approach has always been to help people sustain their tenancy. We believe that it is the right thing to do to help people stay in their homes and the way we manage our rent system supports and drives that approach. We have held our nerve over the years in not pushing cases into court and doing the right thing when someone is trying their best during hard times. Our approach is support them and try to help them. We have made a difference by keeping our evictions low and only where it is really the last

resort, evicting a tiny number of people in 2019. We have been recognised in the Welsh Government Homelessness Statistics as being one of the best performing landlords in Wales in terms of keeping levels of evictions low and sustaining tenancies.

We are firm believers in the Housing First concept to help tackle homelessness. Housing First is founded on the principle of housing being a basic human right and provides permanent accommodation for people straight from the street. There is no condition that social care and support needs have to be addressed first, with the aspiration that housing stability allows these issues to be managed afterwards. We have expanded our provision of Housing First throughout 2019 with 15 flats now being used, supported either by our in-house provider Castell Care and Support or others such as Llamau. Our Housing First schemes along with a range of other projects for homeless people are really good examples of partnership and how our housing and care and support teams have worked together and with other providers, firstly to give people a home and then to provide the support they need to sustain it.



# Efficient and affordable for all

Being efficient is part of our three-pronged approach to Value for Money (VFM), which focuses on:

- **efficiency**,
- **resident satisfaction**, and
- **social value**.

Our approach to VFM has been to improve both operational and financial efficiency. The approach has focused on service delivery, procurement and finance (treasury and tax efficiency), with the emphasis on achieving value rather than just saving money.

In achieving efficiency in service delivery, we do not set targets or seek to make arbitrary percentage cost reductions. Instead, we concentrate on only doing what matters to customers by understanding common demands and designing systems to meet those demands, whilst closely monitoring performance trends over time.

This is assessed by using leading measures within each system. For example, our “fix my home” system concentrates on ensuring that problems are fixed quickly, on the first visit where possible, and that the repairs are done properly, reducing waste by the operative not having to go to a property a second time. This will then ultimately feed through to lower costs and greater efficiency in our lagging measures, of which financial efficiency measures are a part.

Our procurement approach to VFM has focused on in-sourcing work, on ensuring that the right standardised, good-quality materials are procured and used across all of our stock to minimise future maintenance and that staff are regularly trained on making good purchasing decisions.

Our finance approach to VFM focuses on tax efficiency and treasury. Tax efficiency includes seeking to make VAT recoverable where possible and utilising Gift Aid provisions to minimise Corporation Tax across the Group. Treasury efficiency is achieved by taking advantage of long-term bond facilities to give long-term fixed rates at a competitive cost, balanced by short-term revolving facilities that ensure that unnecessary carry costs are not incurred.

We assess our efficiency using trends over time, monitoring the impacts of decisions over multiple years to assess performance rather than reacting to each snapshot in isolation.

Understanding that residents are satisfied is a good check to ensure that efficiency is being achieved without adversely affecting services. We constantly review the purpose of each of our systems and what matters to our residents by listening to their feedback, the levels of demand which we experience and the regular resident satisfaction surveys which we carry out across each of our systems.

Social value is embedded in what we do and is reflected in our mission statement of making a difference to people’s lives, homes and communities. Our approach to VFM is also about ensuring social value and making sure that it has equal prominence to financial efficiency. No decision is taken without reference to our mission statement.

# Efficiency

Treasury efficiency is measured by the rate of interest paid on borrowings, which remained extremely low again despite the increase during 2019 in the Bank of England base rate.

The main reason we were able to hold operating costs despite the investment we made was a reduction in our reactive repair costs per unit, part of our business plan strategy to ensure that we undertake the right repairs in the right way.

## 3.49%

Weighted average cost of capital  
(2018: 3.53%)

## £916

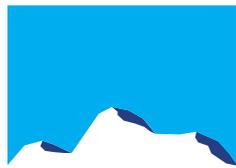
Real reactive maintenance  
costs per unit (2018: £970)



**Enfys**  
Developments

### £1,527,000

VAT savings since  
incorporation



**Cambria**

### £1,436,000

Savings in 2019  
(2018: £1,448,000)

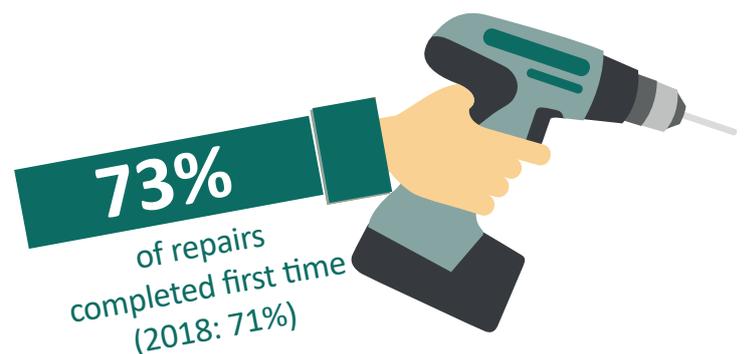
We monitor our operating, management and repair costs per unit over time, after adjusting for inflation based upon the Retail Prices Index (RPI). In 2019, our cash operating costs per unit were on par with 2018 despite the pressures of Universal Credit and our investment in staff to design and develop our new operating system.

This was achieved whilst still maintaining a strong performance on the average days to complete a repair and the number of repairs completed first time



## £2,683

Real operating costs per unit  
before major repairs  
(2018: £2,684)



# Resident Satisfaction

Resident satisfaction is difficult to quantify on an aggregated basis due to the highly individual nature of each resident's concerns and situation. We focus on addressing resident needs and ensuring their satisfaction at each point of contact, learning lessons from each engagement which we carry across to benefit all of our residents. We also invest in addressing the predictable types and frequencies of demands so that we are prepared to do what really matters to our residents.

Our Board monitors resident satisfaction in a number of key areas across our service delivery, striking a balance between scores at the point of delivery of specific services and periodic overall satisfaction surveys.

Our focus remains on helping each resident as an individual with their own unique situation, rather than trying to drive betterment of a numerical score.

## Satisfaction scores (out of ten):

**9.4** Repairs completed  
(2018: 9.3)

**9.6** Planned maintenance  
(2018: 9.0)

**9.4** Service during the lettings process  
(2018: 9.4)

**6.0** Handling of anti-social behaviour  
(2018: 6.9)

Taking everything into account, how satisfied or dissatisfied are your tenants and residents with the following?

	Very satisfied	Fairly satisfied	Neither	Fairly dissatisfied	Very dissatisfied
The service provided by your Association	56%	30%	7%	5%	2%
Dealing with repairs and maintenance	65%	18%	9%	4%	4%
The overall quality of your home	54%	34%	6%	4%	2%
Rent providing value for money	56%	32%	8%	3%	1%
Listening to residents' views and acting on them	54%	27%	10%	6%	3%
Neighbourhoods as a place to live	50%	30%	8%	8%	4%
Dealing with anti-social behaviour	25%	17%	42%	8%	8%
Your Association providing the service you expect	58%	29%	8%	3%	1%
Residents trust of the Association	67%	20%	7%	3%	3%

# Social value

Making a Difference to lives, homes and communities is not just about providing a house, but about supporting and empowering people to do what matters to them, with the right advice and assistance along their own individual journey.

We work hard to invest in our residents' lives, standing beside them to sustain their tenancies and tackle the menace of anti-social behaviour where it occurs.

We work across our organisation and in partnership with our supply chain to invest in the communities, seeking to have a wider impact than being just a landlord.

We do not take decisions without considering the impact on residents and communities, with our values at the core of the process.

Our development and maintenance contracts generated over

# £55 million

for the Welsh economy, as measured by the Welsh Government Community Benefit Measurement Tool.



## Bringing communities together

In 2019 we spent £57k in community grants supporting 78 projects and initiatives to bring people together in the community, helping to improve resilience and provide better access to opportunities. This included helping community groups, community play and sport initiatives, educational projects, helping people to overcome barriers to work, improve health and wellbeing, and improve social isolation.



*We provided a grant to Newtown Men's Shed to support its vital work to tackle exclusion among men and women by promoting wellbeing and woodworking activities at Llys Glan Yr Afon, Newtown. They have been working with Dementia Friendly Newtown and Men's Shed Cymru to create volunteering opportunities for the local community.*

## Helping residents into work

Our Making a Difference Futures Grant supports residents and helps them to overcome barriers that prevent them from employment, training and education opportunities. Grants could cover some of the cost of travel or specialist clothing, equipment or training.



*Cardiff resident Louise Fordham received a grant to buy equipment to set up her chiropody business. We provided a grant to buy her first 100 disposable single use podiatry packs to help her on her way with her new podiatry business.*

## *Working in partnership in our communities*

From improving lives to saving the environment, we worked with our supply chain partners to support 42 community projects in 2019. We linked our contractors with a number of community, environmental and educational initiatives that have benefitted from the time, labour and materials they kindly donated as part of their agreement to work with us. Together we have made a difference to a range of projects including those that promote recycling and improve the environment for our residents; give school pupils in our communities the chance to visit our sites to learn about our developments or support work experience and apprenticeships by working on our homes.



*Elin Vaughan-Miles, Co-ordinator at Lampeter Family Centre in Ceredigion, which had new flooring supplied and fitted by WWH contractors Jamson Estates Ltd and Polyflor to help the centre move to new premises.*

## *Partnering to provide work opportunities in our communities*

Through our community benefits initiatives our contractors have supported a total of 59 weeks work experience and 677 apprenticeship weeks working on a number of our development and property services contracts.



*Third year carpentry student Matthew trained as an apprentice carpenter, working on our development in Fishguard, Pembrokeshire.*

# Financial performance

The financial statements are prepared in accordance with the Housing Statement of Recommended Practice (SORP 2018) and Financial Reporting Standard 102 (FRS 102).

## Association free cash inflow

**£6.4**  
million (2018)

**£7.4**  
million (2019)



Our principal financial metric is the free cash generated by the Association. In 2019, free cash inflow increased to £7.4 million from the £6.4 million generated last year. This is disclosed in the statement of cash flows as required under the Welsh Government accounting determination.

## Association turnover **↑ 4.2%**

**£68 million**

Our turnover increased by 4.2% compared to 2018, driven by annual inflationary rent increases for our regulated and non-regulated stock, and rental income from our newly developed properties.

Our operating surplus before non-capitalised major repairs increased to £21.3 million (2018: £20.6 million), which equates to 31% of turnover (2018: 32%). Deducting major repairs gives an operating surplus of £17.1 million (2018: £16.2 million).

## Operating surplus

**31%**  
of turnover  
(2018: 32%)



Cash reinvested in our property portfolio was made up of component replacements of £7.4 million (2018: £8.9 million) together with major repairs of £4.1 million (2018: £4.4 million), amounting to total property reinvestment of £11.5 million (2018: £13.3 million). This represents investment in our stock to ensure quality standards are met in all of our homes.

Our cash interest cost was £8.5 million compared to £7.2 million in 2018, as we increased our borrowings to £246.8m from £213.5 million in 2018. We took on new long-term fixed-rate loans of £40 million during the year, to fund our increased development programme. The fixed rate low interest rates on these loans reduce our long-term annual interest cost and provide greater certainty for our future business plans. The last few years have seen us take advantage of the low long-term interest rates available in the market place.

## Average interest

**3.49%**  
(2018: 3.53%)



Our average interest rate was 3.49% (2018: 3.53%) and our debt comprised 96% (2018: 93%) bearing interest at fixed rates, 1% (2018: 1%) with index-linked rates and 3% (2018: 6%) with variable interest rates. Gearing on a gross-cost basis was 36% (2018: 32%), which is well within the covenant requirements of our bank loans. We comfortably met our interest cover covenants. At 31 December 2019, the Association held £24.9 million (2018: £8.2

million) in cash and cash equivalents and had in place £70.0 million (2018: £84 million) of confirmed bank facility to call upon.

The Association made a surplus before exceptional items of £9.3 million, compared with £8.2 million in 2018. The exceptional cost of £1.7 million, which relates to the write off of regeneration costs incurred in excess of regeneration grant received at a scheme in Merthyr, offset by a write back of rent credits on the move to our new operating system. This total exceptional cost resulted in a reported profit of £7.6m, compared to a reported loss of £0.3 million in 2018. The accounts also show the revised FRS102 treatment of the SHPS pension, resulting in additional charges of £0.7m to the statement of comprehensive income and charges of £3.7m to the statement of other comprehensive income.

## Development spending £49 million

(2018: £28 million)



During 2019, £49 million (2018: £28 million) was spent on developments. This was spent on completing new homes in the year and starting to fund homes that will complete in future years. We concluded the year with £664 million (2018: £621 million) in fixed assets and £37.5 million (2018: £13.3 million) positive working capital, against which there are £246.8 million (2018: £213.5 million) of borrowings. This position provides balance sheet capacity for further borrowing, which we plan to continue to use sustainably alongside grant financing to invest in the development of new affordable homes to meet the needs of the residents of tomorrow.

## FREE CASH INFLOW

The £7.4 million total free cash inflow for the Association during 2019 comprises net cash from operating activities less interest and capital cash spending. This is set out below.

### £27.8 million

(2018: £27.6 million)

Net cash from operating activities before non-capitalised major repairs to our properties, which reflects our **operating efficiency**.

### £11.5 million

(2018: £13.3 million)

Cash spent on **reinvestment** in our property portfolio (component replacements such as new kitchens, bathrooms, boilers and windows, as well as non-capitalised major repairs and cyclical decorating).

### £8.3 million

(2018: £6.9 million)

Cash spent on payments of net **interest** on borrowings.

### £0.9 million

(2018: £1.0 million)

Cash invested in capital spending, primarily investment in **new IT systems**.

The final movement is between pension contributions made and pension costs charged of £0.3 million

# Group structure

The Group comprises the parent Association and four wholly-owned subsidiaries:

- **Cambria (Cambria Maintenance Services Limited),**
- **Castell Ventures (Castell Ventures Limited),**
- **Castell Homes (Castell Homes Limited),**
- **Enfys (Enfys Developments Limited).**

All of these subsidiaries exist purely to provide cost-efficient channels to develop new homes and to provide services for the residents of the Association.

These subsidiaries do not represent diversification away from traditional housing association ventures.



Enfys started operations in 2013 and manages our development programme of new homes, providing a cost-efficient way of delivery.

Having our own development company ensures that we build the right homes to the right specifications using the right contractors and materials. We expect Enfys to deliver more than two thousand new homes over the next five years.

During the year Enfys achieved a turnover of £33.8m (2018 - £17.9m) and made a profit of £0.3m (2018 - £0.2m)



Castell Homes manages our development of homes for sale, with two homes having been completed for sale to date.

There are a further 3 homes currently on site for sale in 2020 and the number of homes for sale will be expanded in the future if suitable opportunities arise.

During the year Castell Homes achieved a turnover of £0.3m (2018 - £0.3m) and made a profit of £0.03m (2018 - loss of £0.03m).





Cambria has been in operation since 2011 and provides cost effective maintenance services in all of our properties across Wales. These services include reactive maintenance, gas servicing, electrical testing and kitchen, bathroom and boiler replacements. 2019 has seen Cambria provide services in West Wales for the first time and we expect this to grow over the coming years.

More than 99% of all services provided are purely for the residents of the Association. Keeping the majority of our maintenance works with our in-house company provides a cost-effective solution by ensuring that works are completed to the right standard, keeping control over associated materials costs and saving contractor profit margins and irrecoverable VAT on labour costs.

During the year Cambria achieved a turnover of £12.1m (2018 - £12.1m) and made a profit of £1.4m (2018 - £1.4m)



Castell Ventures operates as Castell Care and Support and is a registered care provider, providing care at one of our Extra Care schemes and support at a range of smaller schemes in North and West Wales. A number of new schemes were added during the year as a result of successful tenders.

It also operates as Castell Catering and Castell Cleaning, providing meals and cleaning services for residents of our three Extra Care schemes in north and mid Wales, with plans to extend this to a further new scheme in 2020.

During the year Castell Ventures achieved a turnover of £1.7m (2018 - £1.3m) and made a small loss of £3k, after making a profit of £48k in 2018.



# Governance

The Association is registered:

(i) as a charitable association under the Cooperative and Community Benefit Societies Act 2014 with Registration Number 21114R; and

(ii) as a registered social landlord with the National Assembly for Wales with Registration Number L032.



Board Members work collaboratively to guide the Group in the achievement of the stated aims and objectives. This includes overseeing finances, agreeing policies, monitoring performance, making strategic decisions and ensuring that all matters are conducted properly. The Board oversees the boards of subsidiary undertakings to consider the strategic direction of the Group and to ensure that the affairs of the Group are conducted properly.



The Board leads a robust, evidence-based and outcome-focused self-evaluation process that is corroborated by staff, residents and partners. This is part of the requirements of the regulation of the Association by the Welsh Government, which publishes a set of performance standards and guidance to make clear its expectations of the sector as a whole. The self-evaluation process adopted is an integral part of our approach to service and business planning. The Board have adopted the CHC Code of Governance and use the principles to guide their work.



Progress against corporate priorities is reviewed quarterly by the Board following presentation of a Strategic, Operational and Financial update which also embraces new challenges and opportunities. A suite of service trend measures are used by the Board to understand the operational effectiveness of the business and the quality of service for residents. The emphasis is on measuring what matters most to residents in terms of outcomes, along with indications of the type and frequency of resident demands, so that the Board and staff can easily see the changing profile of resident requests.



Following careful consideration the Board agreed that all Non-Executive Board and Committee Members across the WWH Group would be remunerated (effective from 1 November 2019). In taking this decision, the Board considered the views of residents and stakeholders as well as the future business requirements which included safeguarding the ability of the Association to continue to deliver high quality outcomes into the future by helping to retain, recruit

## Board of management

The Group is controlled by a Board of up to **15 Non-Executive Members** in total:



All Board Members are **Non-Executive** and hold one vote each.

The membership of the Board can include up to **four residents**.

Executive directors attend meetings to present reports but hold no voting rights.

and then hold to account, high calibre Board and Committee members both now and in the future.

With support and guidance from an independent advisor, the Board approved that the levels of payment awarded should be pitched at the median level of the appropriate pay range for organisations of a similar size and complexity, and in line with the principle established for setting payment levels for staff. Payment levels will be reviewed every three years, or sooner as required, to ensure that the levels of payment awarded remain appropriate, fair and in line with the governance framework.

Board Members are entitled to receive properly authorised expenses incurred in the course of carrying out their duties. A Board Member acting in good faith will not be liable to the Association for any loss.



The Board meets formally approximately every seven weeks, including two days away from the office to consider the strategic direction and priorities of the Group.

## Board Members

Board Members are elected to the Board at the Annual General Meeting. They must either be an existing Board Member standing for re-election or be nominated by an existing shareholder.

Shareholders are required to pay a one pound subscription fee and must not be a minor, an employee of the Association, or previously expelled as a shareholder (unless authorised by a special resolution at a general meeting). Shareholders must demonstrate that they can positively contribute to the future management of the Association and are obliged to act in the interests of the Association, for the benefit of the community.

Potential shareholders can obtain more information by writing to the Secretary of the Association at the address in note 33.

The Board decides the selection criteria for shareholders wishing to stand for election as Board Members.

## Requirements

It is required that Board Members and shareholders wishing to stand for election meet the following criteria:

- (a) they are not disqualified from acting as a director of a company, as a board member of another registered society or as a charity trustee for any reason;
- (b) they have not been convicted of an indictable offence which is not, or cannot be spent;
- (c) no composition has been made with that person's creditors generally in satisfaction of that person's debts;
- (d) they are not in material or serious breach of their tenancy agreement or lease which they have failed to rectify within a reasonable timeframe and are not in breach of a suspended possession order, nor subject to any of the following types of court order: anti-social behaviour order, anti-social behaviour injunction, demoted tenancy, or closure order;
- (e) no registered medical practitioner who is treating that person has given a written opinion to the Association stating that that person has become physically or mentally incapable of acting as a Board Member and may remain so for more than three months;
- (f) no court has made an order, by reason of that person's mental health, which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
- (g) they have not absented themselves from three consecutive meetings of the Board without special leave of absence;
- (h) they remain a shareholder or they are an employee of any other body whose accounts must be consolidated with those of the Association.

## Co-opted Board Members

The elected Board can appoint up to three co-opted Members to the Board should the Board at any time determine that there is a need for supplementary skills.

Co-opted Members are appointed for a finite period and have the same voting rights as elected Board Members, except that they are not entitled to vote on matters pertaining to positions of office to the Board or issues affecting shareholders.

The Board also decides the selection criteria in relation to individuals to be co-opted as Board Members.

## Diversity and skills

The Board's requirements for the skills, qualities and experience of its Members are that collectively they must:



have a balance of appropriate skills including – but not limited to – legal, business, financial, technical, community work, housing sector experience, relevant public sector experience, human resources and governance;

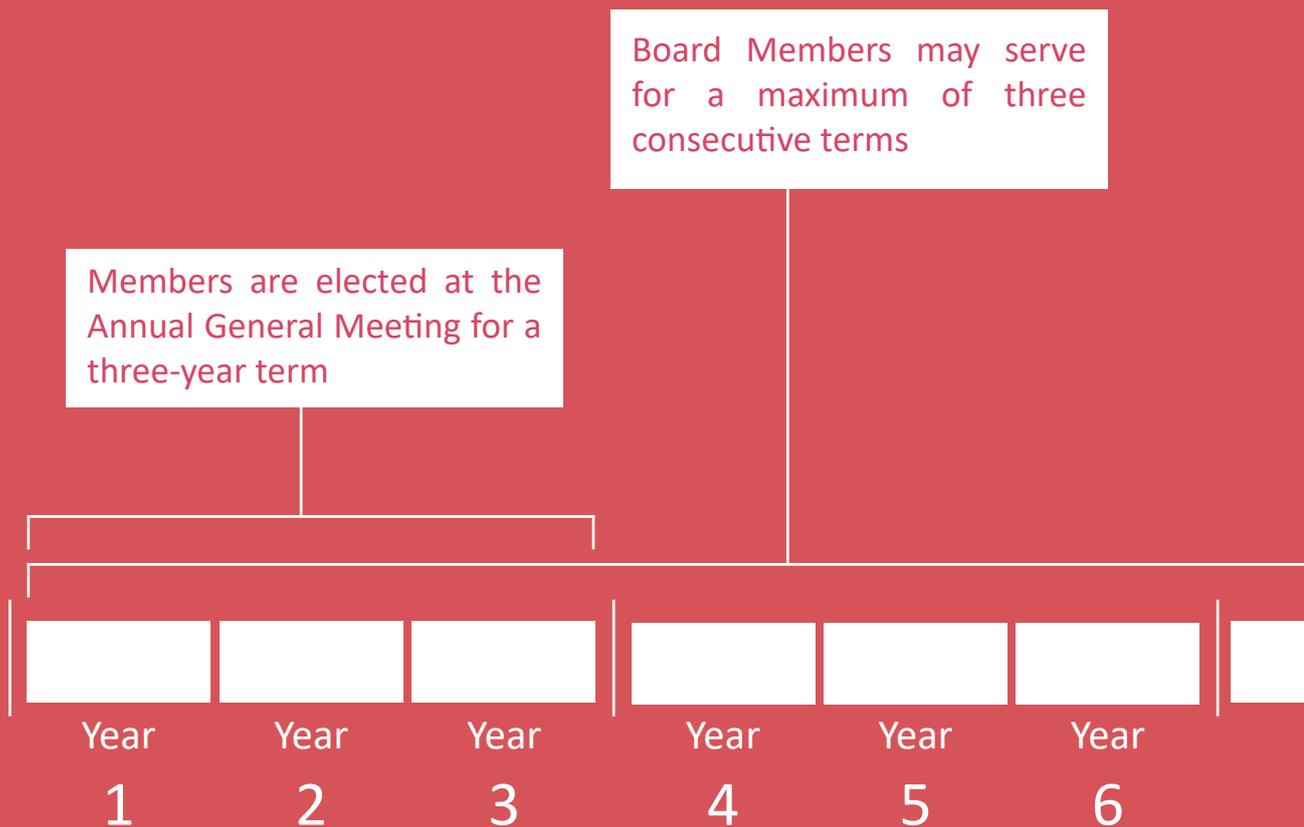


reflect the communities wherein the Association operates; and



reflect the diversity of society in terms of a balance of gender, age, and minority groups such as BME and disabled.

## Term of office



Individually they must also:



be able to give the appropriate amount of time necessary to be trained, and to attend and prepare for meetings;



be able to work within a team and put personal considerations aside; and



demonstrate empathy with social housing.



An extensive appraisal exercise is undertaken annually which assesses the performance of both individual Board Members as well as the performance of the Board as a team. The extent to which the above requirements are met by Board Members and whether there are any gaps in terms of skills and experience are considered by the Board during their away day.

## Board Member obligations

The collective and personal obligations of Board Members are to:



understand and uphold the values and objectives of the Association;



monitor, supervise and control the Association's affairs as custodians of its mission;



act objectively at all times and serve the interests of the Association before their own or the interests of any particular sector of the community served by the Association;



use independent judgement on strategy, performance and accountability;



ensure that an effective contribution is made by preparing for meetings and events, attending regularly and participating in discussions and decision-making;



act as ambassadors of the Association at all times;



acknowledge that an objective is to be 'business-like' without turning the Association into a business which trades purely for profit;



abide by the Association's rules and code of governance; and



handle the appointment and dismissal of the Chief Executive.

It is required that there be a clear 3 year gap following the serving of three consecutive terms before a Member may re-join the Board in any capacity

Year 7      Year 8      Year 9      Years 10-12

# Board of management

## Elected Board Members



Board attendance

**Alex Ashton**  
 Chair of the Board

Alex was elected to the Board in 2016, and has also been a Member in the past. He is the pastor of a church in Bridgend, and has strong connections across the community and local government, having previously worked in a local authority benefits section for over ten years. Alex holds a Master of Business Administration, and has experience serving on various boards, as a charity trustee and as a school governor.



Board attendance

**John McPeake**  
 Vice Chair of the Board and  
 Chair of Probity & Audit Committee

John was co-opted to the Board in 2014 and elected in 2015. He also holds board roles at the UK Collaborative Centre for Housing Evidence and the Northern Ireland Federation of Housing Associations. John was previously Chief Executive of the Northern Ireland Housing Executive and he is an Honorary Professor of Planning at Queens' University, Belfast.



Board attendance

**Rachel Fleri**  
 Chair of the Cambria Board

Rachel was elected to the Board in 2012, after being involved with Wales & West Housing for over five years, initially as an independent member of the Probity & Audit Committee. She has run her own security business since 2001 and has a degree in marine biology. Rachel previously taught biology and science to secondary school students.



Board attendance

**Gemma Bere**

Gemma was co-opted to the Board in 2014 and elected in 2015. She is Policy & Research Manager at Keep Wales Tidy, specialising in environmental sustainability and behaviour change. Gemma previously worked at CREW Regeneration Wales and Valleys Regional Park, and was a trustee with her local Women's Aid Group and Refuge. Gemma is a resident of the Association in Brecon.



Board attendance

**Heather Christan**

Heather was elected to the Board in 2016. She is a retired scheme manager with over 12 years' experience covering rented and leasehold developments, and has been a member of the Resident Participation Group for more than three years. Heather is actively involved in a wide range of housing matters and became a Board Member of TPAS Cymru in 2017. Heather is a resident of the Association in Cardiff.



Board attendance

**Ruth Eley**

Ruth was co-opted to the Board in 2015 and elected in 2016. Ruth has a social care background, with over 40 years experience in local government, the NHS and the Department of Health. She is a Trustee of Together in Dementia Everyday (TIDE) and a Director of the Life Story Network and of her own consultancy company, with recent work focusing on people with dementia and family carers.



Board attendance

**Sharon Lee**

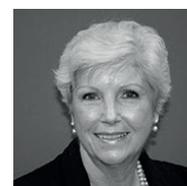
Sharon was elected to the Board in 2011. She has worked in housing since 1995, working at a senior level for housing and homelessness organisations in England and Wales. Sharon is the Chief Executive of Aelwyd Housing Association. She lives in Bridgend where she is also a trustee of a community charity.



Board attendance

**Sarah Porter**

Sarah joined the Probity & Audit Committee in 2014 and was elected to the Board in 2015. She is an experienced litigation solicitor, specialising in property litigation and tenancy disputes. In addition Sarah is an accredited mental health lawyer representing clients at tribunal hearings to contest their detention under section, and representing clients within the Court of Protection. Sarah has also recently qualified as an accredited mediator.

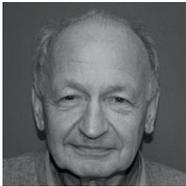


Board attendance

**Kathy Smart**

Kathy was elected to the Board in June 2017, and has also been a Member in the past. Kathy has been involved with the Association since her co-option in 2003 and subsequent first election in 2004. She is very much involved in charity work and has an MSc in Entrepreneurship and Business.

# Board diversity



**Kevin Taylor**



Kevin was co-opted to the Board in 2016 and elected in 2017. Kevin is a qualified accountant with over 40 years' extensive experience. Since retiring in 2014 he has been active in housing, volunteering with a Cardigan-based charity and social enterprise. He lives in Pembrokeshire and continues to learn Welsh.

## Resignations

Mr O Constantine  
 (resigned 13 June 2019)

Mr M Glinwood  
 (resigned 13 June 2019)

## Board Members filling a casual vacancy



**Peter Harding**



Peter filled a casual vacancy on the Board in 2019. He was a manager in housing, specialising in supported housing, regional management and policy development and a Welsh Government civil servant. He has run his own business and is currently a director of the Cadenza Partnership. He has extensive experience in the third sector, is Chair of Cardiff Pedal Power and Treasurer of Llantarnam Grange Arts Centre. He has a Masters in Public Administration.



**Joy Williams**



Joy filled a casual vacancy on the Board in 2018. She was previously a primary school teacher before working in a social services employability project. She has also run her own businesses. She has worked in the homelessness sector across Wales since 2012. Her areas of expertise include homelessness policy and legislation, and public sector commissioning. Joy is currently chair of Caer Las; a South Wales charity enabling social inclusion for those most socially excluded.

## Co-opted Board Members



**Ivor Gittens**



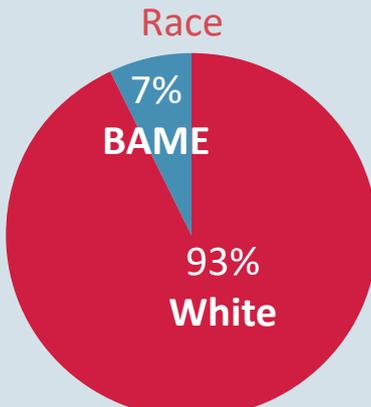
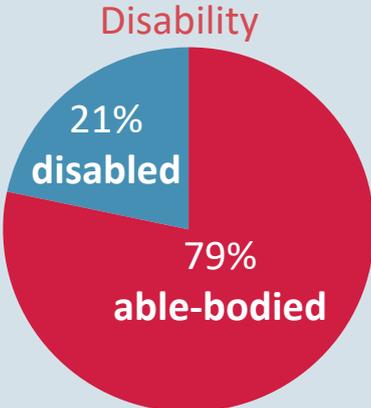
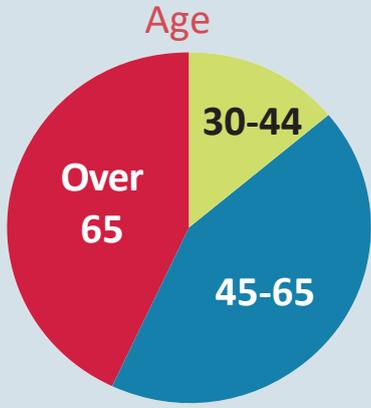
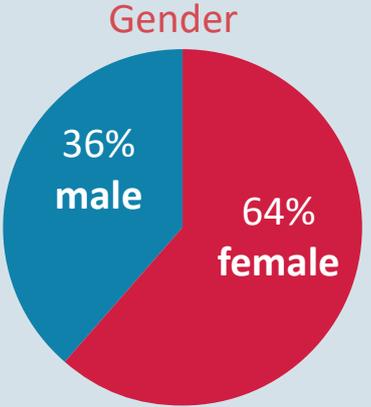
Ivor was co-opted to the Board in 2019. After a full career in the RAF he worked for the MOD as an Instructional Officer. He has extensive experience in volunteering, was a member of South Glamorgan Probation Committee and a member of South Wales Police Authority. Ivor also spent time as a member of the Independent Monitoring Board of Parc Prison, Bridgend, and is a member of the governing body of two Cardiff schools. He lives in Cardiff.



**Christine Salter**



Christine was co-opted to the Board in 2019. A qualified accountant for 40 years, Christine spent her career in local government with responsibility for the whole range of support services for the largest council in Wales. She has extensive experience in corporate finance, strategic management, policy development and financial planning. Since retiring in 2019 Christine has become involved in volunteering with both vulnerable children and adults and is a dementia friend. She lives in Cardiff.



# Internal control

The Board acknowledges its responsibility for ensuring that the Association and the Group have in place systems of controls that are appropriate to the various business environments in which they operate. These controls are designed to give reasonable assurance with respect to:



the reliability of financial information used within the Association and Group or for publication;



the maintenance of proper accounting records; and



the safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:



formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;



experienced and suitably qualified staff take responsibility for important business functions (annual procedures have been established to maintain standards of performance, as well as self-certification of risk control in all areas);



the Board undertakes a quarterly review of the major risks facing the Association and the Group;



forecasts are prepared which allow the Board to monitor the key business risks and objectives and progress towards financial plans set for the year and the medium term;



regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from forecasts are investigated as appropriate;



all significant new initiatives, major commitments and investment projects are subject to a formal authorisation procedure, through relevant committees comprising Board Members and others;



the Probity & Audit Committee reviews reports from management, the Internal Audit Manager and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed (the Committee makes regular reports to the Board); and



formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board is satisfied that the Association and the Group has adequate resources to continue in operational existence for the foreseeable future and at present sees no reason for the situation to change.

The Board is also satisfied that there are no weaknesses in the Association's system of internal control which might lead to material losses, contingencies or uncertainties which require disclosure in the financial statements or the auditor's report on the financial statements.

# Risk

The Board is committed to the management of risk in order to achieve the vision and goals of the Group, and to remain a viable and sustainable business. Risk management is an important part of any successful organisation and its application can help ensure effective business and project planning so that resources and attention are appropriately directed.



The Welsh Government, as regulator of the housing association sector, has increased its focus on the management of risk, expecting housing associations and particularly their Boards to fully understand the business and financial risk environment in which they operate and to be confident that these risks are effectively managed.

In general, the Group operates in a low-risk environment, with most of the events or occurrences that could adversely affect the business taking considerable time to impact. Any such events would be identified through day-to-day management before significant harm occurs. Accordingly, the regular review of risks focuses on those events which are more immediate or where their impact is very significant, as well as taking account of the Welsh Government's assessment of sector-wide risks. In this way the assessment has concentrated on learning from across the sector and from the Group's own experience.



The risk register is reviewed in detail by the Board, assigning inherent and residual risk levels based on estimated likelihood, severity and mitigation of each potential consequence associated with identified risks. Those risks rated medium or above are regularly reviewed by the Board to ensure controls and mitigation remain sufficient and appropriate. The full composition of the entire

risk register is reviewed quarterly by the Board. Any new risks identified from regulatory guidance or significant changes to the sector or operating environment are discussed by the Board when raised and added immediately where it is felt appropriate to do so.



The risk register is visible on our intranet allowing Board Members and all staff to understand at any moment the risks the Group faces and how these are being managed. This allows regular updating as circumstances develop and new risks appear or existing ones are removed, resulting in a living, rolling assessment rather than a periodic review.



The approach to risk is contained in our risk management policy. This policy helps ensure that the Group takes a balanced and proportionate approach to risk management that effectively responds to genuine risks which could have a significant impact without stifling innovation or creating an unnecessary administrative burden.



The Probity & Audit Committee is responsible for monitoring the effectiveness of the risk management policy and reports its findings to the Board. To assist the Committee in this role, the Internal Audit Manager undertakes periodic audits of the risk management approach. These audits assess the effectiveness of governance, known risk management and the identification of new risk factors.

Overleaf are the significant risks faced by the Group, together with a summary of the mitigating measures in place.



Failure to respond appropriately to an emergency alarm activation

MEDIUM



Direct payment of benefits to residents may increase rent arrears

HIGH



Restriction to rent (through WG rent policy) to less than anticipated in the business plan

MEDIUM



Disproportionate costs increases relative to rents

MEDIUM



Poor governance undermines effectiveness or confidence in the management of the business

MEDIUM



Major fraud may result in significant loss

HIGH



Loss of some or all of the main computer systems

HIGH



Failure to maintain exceptionally high levels of compliance for areas that could have immediate and serious impact

HIGH



Insufficient funds to meet commitments and any breach of covenants

MEDIUM



Loss or inadvertent sharing of data in breach of GDPR

MEDIUM



Restriction to current development arrangements due to change of WG policy

MEDIUM



Restriction to services due to pandemic such as Covid-19

HIGH

We have also assessed a number of other risks, including regulation that prevents or restricts the current operating model, staff health and safety, harm/abuse of a resident and the installation of our new operating system.

<p>We have a sophisticated alarm system, where calls are regularly reviewed by managers. There are regular data recovery tests, backed up by an off-site recovery provider. There are detailed policies and procedures and the service has an annual audit by the TSA.</p>	<p>LOW</p>	
<p>Our recently installed new operating system allows us to closely monitor payment plans, meaning that we get to residents quickly to minimise difficulties and to provide support. We have access to the DWP portal and can apply for Alternative Payment Arrangements.</p>	<p>MEDIUM</p>	
<p>WG have announced a rent policy to 2024 but there are elections during that period which could see a change of policy. Our financial forecasts take account of the expected rent policy and a range of sensitivities and stress tests are run on different scenarios.</p>	<p>MEDIUM</p>	
<p>Costs are tightly controlled, with salary increases requiring Board approval. The majority of maintenance work is undertaken by Cambria. We have long-term partnering arrangements to build new homes. All property re-investment requires an annual approval and levels of work can be adjusted if unit costs increase. The vast majority of our debt is at fixed interest rates.</p>	<p>LOW</p>	
<p>We have a diverse Board which draws upon a wide range of skills. Our governance rules are robust and are in accordance with the Community Housing Cymru (CHC) Code of Governance. We have a rigorous self-assessment process in place to validate that the Board has access to the right information at the right time.</p>	<p>MEDIUM</p>	
<p>We have layered controls over both our ICT access systems and the third-party banking systems used to transfer monies. All operating limits are set within our financial regulations and our systems are designed to give early warnings of unusual transactions.</p>	<p>LOW</p>	
<p>Our network infrastructure is protected by firewalls and anti-malware software, with all data backed up regularly. We run regular cyber-attack exercises and simulated off-site disaster recovery exercises, as well as larger business continuity exercises on a periodic basis.</p>	<p>MEDIUM</p>	
<p>We have a full assurance framework for each area of compliance together with three levels of control. In each area, we have trained and qualified staff operating to these frameworks. We carry out annual fire risk assessments, regularly test for key hazards such as legionella and asbestos and carry out routine checks of CP12 gas certificates and electrical safety certificates.</p>	<p>MEDIUM</p>	
<p>We have a clear treasury strategy and have strong relationships with a range of lenders. There is detailed quarterly performance monitoring with a focus on free cash flow and liquidity, with additional liquidity reporting at each Board meeting. Covenants are reviewed quarterly.</p>	<p>LOW</p>	
<p>We have detailed policies and procedures in place and a dedicated Data Protection Officer in post. Staff are trained both at induction and on an on-going basis. Information sharing protocols are in place with external agencies and there are internal ICT controls to limit data sharing</p>	<p>MEDIUM</p>	
<p>We have a strong relationship with WG and participate on relevant working groups with WG and CHC. We are a major housing provider in Wales, where it would be disadvantageous to the supply of housing if WG were to restrict our ability to develop.</p>	<p>MEDIUM</p>	
<p>We can adjust services to provide emergency repairs, continue gas servicing, continue to provide care and support services and can carry out all essential safety checks, as well as basic cleaning. All other staff can work remotely, ensuring business as usual.</p>	<p>LOW</p>	

We consider that all of these other risks have sufficient control and mitigation that none gives rise to more than a low residual risk.

# Executive team



**Anne Hinchey** Group Chief Executive

Anne joined the Group in 1999 and became Group Chief Executive in 2006. She has extensive experience in the housing association, voluntary and local authority sectors in Wales, after starting as a rent collector in 1985 in Cardiff. Anne has a BA in History & Politics, an MA in Education, and is a Fellow of the Chartered Institute of Housing.



**Shayne Hembrow** Group Deputy Chief Executive

Shayne joined the Group in 2006 and became Group Deputy Chief Executive in 2012. He has more than 30 years of experience in housing and regeneration. Shayne spent seven years in the private sector before working for a local authority and then for the Audit Commission.



**Steve Porter** Executive Director (Assets)

Steve joined the Group in 2008 and became Executive Director (Assets) in 2012. He has over 20 years of experience working in the housing sector in Wales. Steve has a degree in surveying and a professional qualification in construction.



**Stuart Epps** Executive Director (Resources)

Stuart joined the Group in 2011 and became Executive Director (Resources) at the start of 2016. He has nearly 20 years of experience as a senior finance professional in property development, consultancy in the built environment and construction in Wales. Stuart is qualified as a Chartered Accountant.



**Alex Stephenson** Executive Director (Technology & Transformation)

Alex has more than 15 years' experience in housing. Having joined the Group in the finance department in 2004 as a qualified accountant, he went on to become the Head of Property Services and Director of Corporate Services before becoming Executive Director (Technology and Transformation) at the beginning of 2020.

# Probity & Audit Committee

## Board Members



**John McPeake**  
Chair of Probity & Audit Committee

Probity & Audit Committee attendance  
✓✓✓



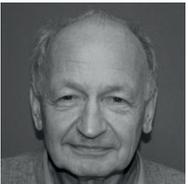
**Peter Harding**

Probity & Audit Committee attendance  
✓✓✓



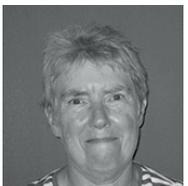
**Heather Christan**

Probity & Audit Committee attendance  
✓✓✓



**Kevin Taylor**

Probity & Audit Committee attendance  
✓✓✓



**Ruth Eley**

Probity & Audit Committee attendance  
✓✓✓

## Independent Members



**Julie Wilson-Thomas**

Probity & Audit Committee attendance  
■ ■ □



**Darren Pritchard**

Probity & Audit Committee attendance  
✓✓□



**Lisa Lake**

Probity & Audit Committee attendance  
✓ □ ✓

## Composition



Up to 5

**Board Members**



Up to 3

**independent members**

**Independent members** have all the rights and responsibilities of the Board members who sit on the Committee, but cannot be members of any other committees or the Board of the Association.

The Committee **meets three times annually**, this number being deemed appropriate to its role and responsibilities.

## Responsibilities

To ensure that the Association operates to the highest level of accountability;

To ensure that weaknesses in probity and standards are dealt with quickly and efficiently;

and

To oversee the internal and external audit functions and ensure that adequate systems of internal check and control are being implemented.

## Internal audit

The internal audit service is provided by an in-house Internal Audit Manager, who is a member of the Institute of the Chartered Accountants in England and Wales and who has many years of audit experience, both internal and external. Internal audit has unrestricted rights to access all documents, records and information, and no limitations are placed on the scope of work.

Throughout the year, internal audit work has been undertaken in accordance with a rolling risk-based needs assessment and forward programme of work for the Association.

Changes to the needs assessment and forward programme of work are proposed in consultation with the Senior Management Team before being approved by the Committee. This process helps ensure that the extent of internal audit work carried out remains appropriate to the needs of the Association. It also enables members to become more involved in the audit planning process and fulfil their responsibilities with regard to approving the internal audit plan.

At each committee meeting held during the year, reports were received summarising the findings of routine internal audit work completed since the previous meeting as shown in the diagram opposite. In cases where weaknesses or other issues requiring attention have been identified, action plans are agreed with management and presented to the Committee for approval, after which the Committee receives regular updates on the status of agreed internal audit action plans.

Together with assessment of the control environment, internal audit work during the year encompassed a range of financial and operational thematic reviews in accordance with the programme of work determined by the Committee as detailed opposite.

The Committee confirmed that management had taken appropriate steps to address weaknesses identified, and concluded that the Association's framework of governance, risk management and internal control systems were adequate and effective.

## External audit

The Committee is currently undertaking a tender exercise to appoint a new auditor, as Haines Watts have now reached the end of their term and are ineligible for reappointment. The appointment of a new auditor will be made such that the newly appointed firm will be in place to undertake the audit of the 2020 statutory accounts.

The Committee reviews the audit plan from the external auditor each year and considers its scope and sufficiency. The Committee reviews reports from the external auditor following each significant element of audit work and meets at least once annually with the external auditor without any executive directors or management present. The Committee has assessed the external auditor and considers them to be independent.

## Probity

The Committee reviews internal audit reports on governance arrangements within the programme of internal audit work. This includes periodic assessment of compliance with the Community Housing Cymru (CHC) Code of Governance.

The Committee also reviews the Association's code of conduct and policies on confidentiality, hospitality and whistleblowing and agree that they remain fit for purpose and in line with best practice.

## April 2019

Review of thematic internal audit reports:

GDPR

Governance

Health and Safety

Forward programme of internal audit work

Private meeting with internal auditor

Presentation and management letter

Private meeting with external auditor

Pre-Board review of 2018 annual report and financial statements

Review of Annual Statement of Compliance

## October 2019

Review of thematic internal audit reports:

Electrical Safety

Fire Safety

Welsh Housing Quality Standard

Welsh Government returns

Service Provision in Extra Care schemes

Health and Safety follow-up report

Forward programme of internal audit work

Approval of external audit plan

Review of scope of Board governance review

Developing the Board Assurance framework

## January 2020

Review of thematic internal audit reports:

Development of new rents system

Interim payment plans and arrears monitoring tools

GDPR follow-up

Procurement

Review of management information, performance monitoring and payments to Cambria Maintenance Services 2019

Internal control general health check exercise

Forward programme of internal audit work

Annual summary of activities and internal audit opinion

Interim external audit results

Annual Probity & Audit Committee report to the Board

Review of Board requirements to make regulatory returns to Welsh Government

## Effectiveness of internal control

The Committee concluded that the Association's framework of governance, risk management and internal control systems were adequate and effective.

The Committee has reviewed its work for 2019 and considers that it is compliant with both its terms of reference and the relevant provisions of the CHC Code of Governance.

External audit did not note any material weaknesses in the accounting and internal control systems during their audit.

The Committee feels that the Association has in place a system of controls that is appropriate to the various business environments in which it operates, and that no significant weaknesses in these systems have been identified.

# Statement of Board responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 and Registered Social Landlord legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and the Group and of the surplus or deficit of the Association and the Group for that period.

In preparing those financial statements, the Board is required to select suitable accounting policies, as described on pages 48 to 51, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The Board must also prepare the financial statements on the going

concern basis unless it is inappropriate to presume that the Association and the Group will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and the Group and to enable them to ensure that the financial statements comply with the relevant legislation.

The Board is also responsible for safeguarding the assets of the Association and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and the integrity of the corporate and financial information included on the Association's website. Legislation in



the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Covid-19 has had a significant impact on the activities of the Group, as it has on society as a whole. The Board has met regularly during the period and has received detailed fortnightly updates from the IMT (Incidence Management Team), which initially met daily and currently meets three times a week. These updates have focused both on service delivery, operational performance and financial risk. The Group moved quickly to suspend lettings, suspend grounds maintenance, suspend all but essential scheme cleaning and safety checks and to an essential repairs service only (including annual gas servicing). These measures were taken in order to protect both our staff and our residents by limiting our potential to transmit the virus through contact that was not essential in its nature. Other measures to protect our staff included the provision of PPE (Personal Protective Equipment). The Group had a thoroughly tested business continuity plan which was enacted and which has allowed the vast majority

of staff to conduct their work from home. The Board has provided leadership and oversight during this period, and for our staff and our residents, as much as possible it is business as usual, just undertaken in a different way.

In so far as the Board is aware:

- there is no relevant audit information of which the Association's and the Group's auditors are unaware; and
- the Board has taken all steps that they ought to have taken to make itself aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board



**Mr Alex Ashton**  
**Chair of the Board**



*This year the WWH Board has chosen to support Manumit Coffee, a Cardiff-based social enterprise supporting victims of human trafficking and modern-day slavery.*

# Auditor's report

Year ended 31 December 2019

We have audited the financial statements of Wales & West Housing (the 'Association') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 December 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, schedule 1 to the Housing act 1996 and The Accounting requirements for Registered Social Landlords General Determination (Wales) 2015.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in

the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on the matters prescribed under Housing for Wales Circular HFW 02/10 “Internal controls and reporting”

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

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

## The impact of uncertainties on our audit owing to COVID -19

The Boards' view on the impact of COVID-19 is disclosed within the Statement of Board Responsibilities and principal accounting policies note 1.

Uncertainties related to the effects of COVID-19 are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Board, such as recoverability and valuation of assets, appropriateness of the going concern basis of preparation of the financial statements and associated disclosures. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

The COVID-19 viral pandemic is one of the most significant economic events for the UK, and at the date of this report, its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We have applied a standardised approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the COVID-19 pandemic.

## 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 (Group Accounts) requires us to report to you if, in our opinion:

- the Group and Association has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or

- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the Group and Association's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

## Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on pages 39-40, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group and Association or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but, except to the extent otherwise explicitly stated in our report, not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- Conclude on the appropriateness of the Board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Association’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group or Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Auditor’s responsibilities in respect of the Housing for Wales Circular HFW 02/10 “Internal controls and reporting”

We review whether the Board’s statement on internal financial control reflects the Association’s compliance with the Housing for Wales Circular HFW 02/10 “Internal controls and reporting” and

we report whether the statement is not inconsistent with the information of which we are aware from our audit of the financial statements. We are not required to form an opinion on the effectiveness of the Association’s corporate governance procedures or its internal financial control.

## Use of report

This report is made solely to the Association’s members, as a body, in accordance with the requirements of the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, schedule 1 to the Housing Act 1996 and The Accounting requirements for Registered Social Landlords General Determination (Wales) 2015. Our audit work has been undertaken so that we might state to the Association’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association’s members as a body, for our audit work, for this report, or for the opinions we have formed.

*Haines Watts Wales LLP*

Haines Watts Wales LLP  
Statutory Auditor  
7 Neptune Court  
Vanguard Way  
Cardiff CF24 5PJ

Date: 15 May 2020

# Financial statements

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	GROUP		ASSOCIATION	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Turnover</b>	2	<b>67,212</b>	64,317	<b>67,710</b>	64,981
<b>Operating expenditure</b>	2	<b>(45,902)</b>	(43,726)	<b>(46,446)</b>	(44,427)
<b>Operating surplus before major repairs</b>		<b>21,310</b>	20,591	<b>21,264</b>	20,554
<b>Major repairs</b>	2c	<b>(4,122)</b>	(4,349)	<b>(4,122)</b>	(4,349)
<b>Operating surplus</b>	4	<b>17,188</b>	16,242	<b>17,142</b>	16,205
Surplus on sale of fixed assets	5	<b>640</b>	397	<b>640</b>	397
Interest receivable	7	<b>197</b>	147	<b>214</b>	176
Interest payable	8	<b>(8,979)</b>	(8,222)	<b>(8,979)</b>	(8,222)
Financing costs – pension deficit	29	<b>161</b>	(308)	<b>161</b>	(308)
Movement in fair value of investments	15	<b>100</b>	(24)	<b>100</b>	(24)
Exceptional items	9	<b>(1,660)</b>	(8,524)	<b>(1,660)</b>	(8,524)
<b>Surplus/(loss) before tax</b>		<b>7,647</b>	(292)	<b>7,618</b>	(300)
Taxation	10	<b>(8)</b>	(19)	<b>(8)</b>	(19)
<b>Surplus/(loss) for the year</b>		<b>7,639</b>	(311)	<b>7,610</b>	(319)
<b>Other comprehensive income</b>					
SHPS DB opening balance adjustment	29	<b>(3,017)</b>	-	<b>(3,017)</b>	-
Actuarial (loss)/gain in respect of defined benefit pension scheme	28, 29	<b>(643)</b>	-	<b>(643)</b>	-
<b>Total comprehensive income/(loss) for the year</b>		<b>3,979</b>	<b>(311)</b>	<b>3,950</b>	<b>(319)</b>

All of the above results are derived from continuing operations.

## Consolidated Statement of Changes in Reserves

for the year ended 31 December 2019

	GROUP	ASSOCIATION
	Total reserves £'000	Total reserves £'000
At 1 January 2019	<b>67,204</b>	<b>67,342</b>
Surplus from statement of comprehensive income	<b>3,979</b>	<b>3,950</b>
<b>At 31 December 2019</b>	<b>71,183</b>	<b>71,292</b>

Total reserves are solely comprised of the comprehensive income reserve for both the Association and the Group.

# Consolidated Statement of Financial Position

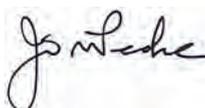
at 31 December 2019

	Notes	GROUP		ASSOCIATION	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Tangible fixed assets</b>					
Housing land and buildings – gross cost	12	752,964	704,753	752,029	704,382
– depreciation	12	(123,780)	(117,115)	(123,780)	(117,115)
		<b>629,184</b>	<b>587,638</b>	<b>628,249</b>	<b>587,267</b>
Other tangible fixed assets	13	16,256	16,609	16,198	16,552
<b>Fixed asset investments</b>					
HomeBuy and LCHO loans receivable	14	11,434	11,154	11,434	11,154
Other investments	15	7,652	6,265	7,652	6,265
<b>Total fixed assets</b>		<b>664,526</b>	<b>621,666</b>	<b>663,533</b>	<b>621,238</b>
<b>Current assets</b>					
Stock	16	993	213	-	-
Trade and other debtors: amounts falling due within one year	17	7,975	8,278	11,822	10,111
Trade and other debtors: amounts falling due after more than one year	18	28,718	24,033	28,718	24,058
Cash and cash equivalents		32,166	12,539	24,914	8,208
		<b>69,852</b>	<b>45,063</b>	<b>65,454</b>	<b>42,377</b>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	19	(30,741)	(29,680)	(25,251)	(26,438)
Social housing and other government grants: amounts falling due within one year	21	(2,701)	(2,660)	(2,701)	(2,660)
<b>Net current assets</b>		<b>36,410</b>	<b>12,723</b>	<b>37,502</b>	<b>13,279</b>
<b>Total assets less current liabilities</b>		<b>700,936</b>	<b>634,389</b>	<b>701,035</b>	<b>634,517</b>
<b>Non-current liabilities</b>					
Creditors: amounts falling due after more than one year	20	(294,983)	(267,004)	(294,983)	(267,004)
Social housing and other government grants: amounts falling due after more than one year	21	(319,684)	(300,111)	(319,684)	(300,111)
Defined Benefit Pension liability	28, 29	(15,010)	-	(15,010)	-
Provisions for liabilities	24	(76)	(70)	(66)	(60)
<b>Total net assets</b>		<b>71,183</b>	<b>67,204</b>	<b>71,292</b>	<b>67,342</b>
<b>Capital and reserves</b>					
Called-up share capital	26	-	-	-	-
Total reserves		71,183	67,204	71,292	67,342
<b>Total capital and reserves</b>		<b>71,183</b>	<b>67,204</b>	<b>71,292</b>	<b>67,342</b>

The financial statements on pages 45 to 78 were approved by the Board on 14 May 2020 and were signed on its behalf by:



Chair of the Board - Mr A Ashton



Vice Chair of the Board - Mr J McPeake



Secretary - Mr S Epps

# Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Operating surplus before major repairs</b>	<b>21,310</b>	20,591	<b>21,264</b>	20,554
<b>Adjustments for non-cash items:</b>				
Depreciation of tangible fixed assets	11,523	11,414	11,512	11,381
Government grants utilised in the year	(2,851)	(2,786)	(2,851)	(2,786)
<b>Working capital movements:</b>				
Decrease/(increase) in stock	(779)	199	-	-
(Increase)/decrease in trade and other debtors	(347)	(387)	(346)	(247)
(Decrease)/increase in trade and other creditors	600	(55)	(129)	77
Increase in provisions	1	1	-	1
Pension deficit cash contributions paid	(1,602)	(1,424)	(1,602)	(1,424)
<b>Net cash generated from operating activities</b>	<b>27,855</b>	27,553	<b>27,848</b>	27,556
Interest received	157	289	152	289
Interest and mortgage fees paid	(8,466)	(7,232)	(8,455)	(7,204)
Difference between pension costs charged in operating surplus and pension cashflows	327	-	327	-
Taxation paid	(19)	(1)	(19)	(1)
Purchase of other replacement fixed assets	(951)	(970)	(938)	(939)
<b>Adjustments for reinvestment in existing properties:</b>				
Component replacements	(7,411)	(8,941)	(7,411)	(8,941)
Major repairs	(4,122)	(4,349)	(4,122)	(4,349)
<b>Free cash generated before loan repayments</b>	<b>7,370</b>	6,349	<b>7,382</b>	6,411
Loans repaid (excluding revolving credit facilities)	-	(27,371)	-	(27,371)
Exceptional item – loan break fees	-	(3,802)	-	(3,802)
<b>Free cash generated / (consumed) after loan repayments</b>	<b>7,370</b>	(24,824)	<b>7,382</b>	(24,762)
<b>Cash flow from investing activities</b>				
Purchase and development of properties	(46,128)	(27,192)	(49,060)	(28,360)
Exceptional pension charge	(1,300)	-	(1,300)	-
Proceeds of sale of LCHO properties	1,451	1,079	1,451	1,079
Proceeds of sale of other housing properties	1,318	599	1,318	599
Proceeds of sale of other fixed assets	746	6	745	-
Decrease in amounts invested in subsidiaries	(1,649)	199	(1,649)	199
Grants received	21,153	19,490	21,153	19,490
<b>Cash flow from financing activities</b>				
New secured loans and use of revolving credit facilities	36,666	32,482	36,666	32,482
<b>Net increase in cash and cash equivalents</b>	<b>19,627</b>	1,839	<b>16,706</b>	727
<b>Cash and cash equivalents at the beginning of the year</b>	<b>12,539</b>	10,700	<b>8,208</b>	7,481
<b>Cash and cash equivalents at the end of the year</b>	<b>32,166</b>	12,539	<b>24,914</b>	8,208

# Notes to the financial statements

## 1 Principal accounting policies

### Basis of preparation

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 (registration number: 21114R) and is a registered social landlord (National Assembly for Wales registration number: L032). The Association is a public benefit entity and adopted charitable rules with effect from 20 January 2005.

The Association's wholly-owned subsidiaries are incorporated as limited liability companies under the Companies Act 2006. These are listed below under "basis of consolidation" and in note 30.

### Basis of consolidation

The consolidated accounts include the results of Wales & West Housing Association Limited (the "Association") and its trading subsidiary undertakings: Cambria Maintenance Services Limited ("Cambria"), Enfys Developments Limited ("Enfys"), Castell Ventures Limited ("Castell Ventures") and Castell Homes Limited ("Castell Homes"). Consolidated accounts are required under the Co-operative and Community Benefit Societies Act 2014. Wales & West Housing Association Limited is the parent entity and the ultimate parent entity.

### Basis of accounting

The financial statements have been prepared in accordance with applicable financial reporting standards in the United Kingdom, including the Statement of Recommended Practice for "Accounting by Registered Social Housing Providers" as updated in 2018 ("SORP 2018"). Where any conflict arises between the SORP 2018 and applicable financial reporting standards, then the SORP prevails. The financial statements comply with the Accounting Requirements for Social Landlords Registered in Wales – General Determination 2015.

The financial statements are prepared on the historical cost basis of accounting.

### Housing properties – fixed asset capitalisation and depreciation (notes 5, 12 and 23)

Housing properties are stated at cost less accumulated depreciation. The cost of properties is their purchase price together with incidental costs of acquisition and direct costs of the development process. Where properties come into the ownership of the Association under section 106 agreements, these are often purchased for less than cost price. Where this is the case, such properties are recognised at their true cost price, with imputed cost being the difference between this and the amount paid and shown within property acquisitions, with the corresponding liability shown as imputed grant.

"Housing properties in the course of construction" are stated at cost and are transferred into "social housing properties" when completed. Any overhead costs directly attributable to bringing fixed assets into working condition for their intended purpose are capitalised. Expenditure on the initial purchase of land and buildings is capitalised and disclosed as part of housing properties in the course of construction.

Depreciation is charged on the historic cost of property components. Grant is allocated to land and the main structure of the property, but not to other components. Freehold land is not depreciated. Leasehold land is depreciated over the remaining term of the leases. The depreciable amount is written off over the estimated useful lives from the date of purchase or construction handover. Housing properties in the course of construction are not depreciated.

## 1 Principal accounting policies (continued)

Profits or losses on disposals of properties are recognised as at the date a sale becomes certain. The profit or loss arising on a disposal of a property is the difference between the sale price and the aggregate of the depreciated cost, and any associated costs of disposal such as legal and valuation fees. The grant originally received on a property is repayable in full in the case of a disposal, demolition or change of use to an ineligible activity, save that in circumstances where the Welsh Government considers appropriate it may reduce the amount repayable. Where this arises on a disposal, the grant repayable so waived is added back to the profit or loss on that disposal.

Some properties have been partially sold under shared ownership arrangements. Occupiers have full use of the properties concerned and pay a rent which reflects the proportional interest retained by the Association. In the balance sheet, the Association's interest is shown as a proportion of the original historic cost, corresponding to the interest retained. Occupiers are able to purchase some or all of that retained interest at a corresponding proportion of the current market value when that transaction arises.

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred. Depreciation is charged on cost on a straight line basis over the component's expected economic useful life as follows:

<b>Main structure</b>	<b>years</b>
Houses	150
Flats	100
<b>Other components</b>	<b>years</b>
Back doors	40
Bathrooms	30
Heating systems	15
Electrics	60
Front doors	30
Kitchens: general needs	17
Kitchens: retirement housing	20
Roofs	80
Windows: installed pre-2000	20
Windows: installed post-2000	40

Components on leasehold land are depreciated over the shorter of the above and the remaining period of the lease. Where a grant is received against the cost of a component, the cost of the component is reduced by the net present value of the future grant and that net present value figure is shown as a debtor in the accounts.

### Impairment

Housing properties are reviewed annually for impairment. Where there is evidence of impairment, housing properties are written down to their recoverable amount.

### Other fixed assets (note 13)

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis so as to write off the cost less estimated residual value of assets over their expected useful economic lives as follows:

## 1 Principal accounting policies (continued)

Asset class	years
Motor vehicles	2 to 4
Office equipment – Solar PV panels	25
Office equipment – other	3 to 10
Site equipment – lifts	10 to 25
Site equipment – door entry systems	10 to 15
Site equipment – other	3 to 10
Commercial and office buildings	up to 60

### Loans and bonds (notes 19 and 20)

Loan arrangement fees are capitalised and then amortised on a straight-line basis over the duration of the loan. Interest is recognised in the statement of comprehensive income on an accruals basis, including that related to index linked-loans where the cash settlement may be deferred.

Where there is a difference between the coupon rate of bonds issued to investors and the effective rate of such issuances, this balance is held as a bond market premium or discount on the balance sheet and spread over the term of the corresponding bonds.

### Grants (note 21)

Grants received from central government agencies and local authorities are shown within creditors on the face of the balance sheet. Grants relating to assets are recognised in income on a straight-line basis over the expected useful life of the asset. Government grants received for housing properties are recognised in income over the expected useful life of the housing property structure.

Where grants are received in advance they are carried forward as current liabilities to be matched against future capital expenditure as it is incurred. Grants receivable in respect of completed schemes or those under construction are included within debtors in the financial statements.

Grants are repayable under certain circumstances, primarily following the sale of a property. Such repayable grants are included within creditors in the balance sheet.

### Pension costs (notes 28 and 29)

The Group makes payments to defined benefit and defined contribution pension schemes on behalf of its employees. The schemes are funded by contributions partly from the employees and partly from the Group, at rates determined by independent actuaries. The assets of the defined benefit schemes are invested separately from the assets of the Group in independently administered multi-employer funds.

The pensions cost for the TPT Retirement Solutions Growth Plan have been calculated as if they arose within defined contribution schemes, as permitted by Financial Reporting Standard 17 (Retirement Benefits), as it is not possible to separately identify the scheme assets attributable to the Group on a consistent and reasonable basis.

The Social Housing Pension Scheme (SHPS) defined benefit pension scheme is accounted for under FRS102 to show the Group's share of the estimated pension fund net liability on the Statement of Financial Position. Employer contributions for future service liability are shown in the statement of comprehensive income, along with all employer contributions to defined contribution schemes.

## 1 Principal accounting policies (continued)

### Value added tax (VAT)

The Association, Cambria and Castell Ventures form a single VAT group which is partially exempt for VAT purposes. Claims are made for repayment of VAT on items that are specifically allowable. Expenditure is shown inclusive of irrecoverable VAT.

Enfys and Castell Homes are each separately registered for VAT purposes. As these entities can recover VAT, if incurred, expenditure is shown exclusive of VAT.

### Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. After initial recognition, financial assets and liabilities are measured at amortised cost. A financial asset is de-recognised when the contractual rights expire. A financial liability is de-recognised when the contractual obligation is extinguished.

### COVID-19

The financial statements have been prepared on going concern basis. The Board have reviewed and considered relevant information, including the forecasts and future cash flows in making their assessment. In particular, in response to the COVID-19 pandemic, the Board have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of COVID-19, alongside the measures that they can take to mitigate the impact. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the Board have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

## 2 Analysis of turnover and costs

Turnover represents rental and service charge income (both net of empty properties), Gift Aid, fees and revenue-based grants receivable. All turnover is derived from operations within the United Kingdom.

### (a) Particulars of turnover, operating costs and operating surplus

	ASSOCIATION					
	Turnover	Operating	Operating	Turnover	Operating	Operating
		costs	surplus		costs	surplus
2019	2019	2019	2018	2018	2018	
£'000	£'000	£'000	£'000	£'000	£'000	
<b>Social housing lettings</b>	<b>64,177</b>	<b>(48,633)</b>	<b>15,544</b>	61,560	(46,745)	14,815
<b>Other social housing activities</b>						
Gift Aid	1,772	-	1,772	1,625	-	1,625
<b>Non-social housing activities</b>	-	-	-			
Lettings	100	(88)	12	78	(86)	(8)
Other	1,661	(1,847)	(186)	1,718	(1,945)	(227)
<b>Total</b>	<b>67,710</b>	<b>(50,568)</b>	<b>17,142</b>	64,981	(48,776)	16,205

The above analysis represents the results of the Association, which is the only Registered Social Landlord in the Group. Its subsidiaries contributed as follows to the operating surplus: Cambria £1,431,000 (2018: £1,442,000), Enfys £335,000 (2018: £177,000), Castell Ventures £5,000 (2018: loss of £9,000) and Castell Homes £47,000 (2018: £52,000). After deducting Gift Aid, which is eliminated on consolidation, this takes the Association reported operating surplus of £17,142,000 (2018: £16,205,000) to the Group reported operating surplus of £17,188,000 (2018: £16,242,000).

A detailed analysis of the social housing turnover and related operating costs is provided in note 2(b). Management of operations represents the costs of the Association's "How we run" system for running the core operations of the organisation. Tenancy management services represents the costs of the Association's "I want a home" system for administering lettings, the "Pay my rent" system for collection of rental receipts and the "ASB" system for dealing with anti-social behaviour issues. The Association's other key system is "Fix my home" for administering repairs to properties, the costs of which are split between routine maintenance, major repairs expenditure and management of component replacement in the following analysis. Development and other costs include development overheads which are not directly attributable to bringing fixed assets into their working condition for their intended purpose. Central overheads are allocated based upon the utilisation of key personnel within each area.

A reconciliation from the management accounts is shown in note 2(c).

## 2 Analysis of turnover and costs (continued)

### (b) Particulars of income and expenditure from social housing lettings

	ASSOCIATION				
	General needs and sheltered housing £'000	Supported housing £'000	Other social housing £'000	2019 total £'000	2018 total £'000
<b>Income</b>					
Rent receivable	53,868	1,170	67	55,105	52,766
Service charge income	5,948	-	-	5,948	5,663
Grant income for support services	-	273	-	273	345
Amortisation of social housing and other government grants	2,851	-	-	2,851	2,786
<b>Turnover from social housing lettings</b>	<b>62,667</b>	<b>1,443</b>	<b>67</b>	<b>64,177</b>	<b>61,560</b>
<b>Operating costs</b>					
Management of operations	(5,397)	(72)	(13)	(5,482)	(4,612)
Tenancy management services	(5,193)	(69)	(12)	(5,274)	(4,973)
Service charges	(6,388)	-	-	(6,388)	(6,297)
Routine maintenance	(11,537)	(154)	-	(11,691)	(11,709)
Major repairs expenditure	(5,367)	(72)	-	(5,439)	(5,630)
Management of component replacement	(1,531)	(20)	(4)	(1,555)	(1,407)
Bad debts	(707)	(9)	(2)	(718)	(770)
Depreciation of housing properties	(10,074)	(135)	(24)	(10,233)	(9,994)
Development and other costs	(1,825)	(24)	(4)	(1,853)	(1,353)
<b>Operating costs on social housing lettings</b>	<b>(48,019)</b>	<b>(555)</b>	<b>(59)</b>	<b>(48,633)</b>	<b>(46,745)</b>
<b>Operating surplus on social housing lettings</b>	<b>14,648</b>	<b>888</b>	<b>8</b>	<b>15,544</b>	<b>14,815</b>
<b>Memorandum information: Rent foregone due to properties being vacant</b>	<b>466</b>	<b>8</b>	<b>19</b>	<b>493</b>	<b>625</b>

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

# Notes to the financial statements

for the year ended 31 December 2019

## 2 Analysis of turnover and costs (continued)

### (c) Analysis of income and expenditure

	ASSOCIATION					
	2018	2019	Subsidiary	Analysis of non-	Allocation	2019
	management	management	donations	social housing	of central	2019
	accounts	accounts	to parent	activities	costs	total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>						
Rent receivable	52,647	54,968	-	137	-	55,105
Service charge income	6,751	7,064	-	(1,116)	-	5,948
Supporting people income	345	273	-	-	-	273
Sundry income	539	503	-	(503)	-	-
Amortisation	-	-	-	-	2,851	2,851
Gift Aid	-	-	1,772	-	-	1,772
Non-social housing lettings	-	-	-	100	-	100
Non-social housing other activities	-	-	-	1,661	-	1,661
<b>Turnover</b>	<b>60,282</b>	<b>62,808</b>	<b>1,772</b>	<b>279</b>	<b>2,851</b>	<b>67,710</b>
<b>Operating costs</b>						
Management of operations	-	-	-	-	(5,482)	(5,482)
Tenancy management services	-	-	-	-	(5,275)	(5,275)
Service charge cash costs	(5,254)	(5,357)	-	865	(1,477)	(5,969)
Service charge depreciation	(469)	(431)	-	13	-	(418)
Routine maintenance	(10,132)	(9,920)	(1,042)	-	(731)	(11,693)
Major repairs and cyclical maintenance	(4,349)	(4,122)	(395)	-	(922)	(5,439)
Management of component replacement	-	-	-	-	(1,555)	(1,555)
Bad debts	(770)	(718)	-	-	-	(718)
Depreciation of housing properties	(9,994)	(10,232)	-	-	-	(10,232)
Development and other costs	-	-	(335)	-	(1,519)	(1,854)
Staff costs (excl. site staff)	(10,778)	(12,111)	-	-	12,111	-
Overheads	(4,198)	(4,779)	-	-	4,779	-
Other depreciation	(919)	(847)	-	-	847	-
Amortisation	2,786	2,851	-	-	(2,851)	-
Non-social housing lettings	-	-	-	-	(88)	(88)
Non-social housing other activities	-	-	-	(1,157)	(688)	(1,845)
<b>Operating costs</b>	<b>(44,077)</b>	<b>(45,666)</b>	<b>(1,772)</b>	<b>(279)</b>	<b>(2,851)</b>	<b>(50,568)</b>
<b>Operating surplus</b>	<b>16,205</b>	<b>17,142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,142</b>

### 3 Directors and employees

#### (a) Directors' emoluments

The remuneration paid to the directors (defined as Board Members and the executive officers) of the Group and Association was:

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Aggregate emoluments of executive officers, excluding pension contributions	545	467
Aggregate emoluments of Board Members	12	-
Emoluments of highest paid director (Chief Executive), excluding pension contributions	164	143
Pension contributions in respect of executive officers	33	69

Retirement benefits are accruing under defined benefit schemes (note 28). The Chief Executive received payment in lieu of pension contributions of £36,747 (2018: £0). The Association makes no contributions to any individual pension arrangement. Payment of Board Members began on 1 November 2019.

The full time equivalent number of key management personnel (including the Chief Executive) whose remuneration (excluding pension contributions) payable during the period fell within the following bands was:

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
£0 – £9,999	14	-
£90,000 – £99,999	-	1
£100,000 – £109,999	-	1
£110,000 – £119,999	1	-
£120,000 – £129,999	1	1
£140,000 – £149,999	1	1
£160,000 – £169,999	1	-

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Expenses reimbursed to directors not chargeable to UK taxation	11	11

## 3 Directors and employees (continued)

### (b) Employee information

The average number of staff (including executive officers) employed during the year was:

	GROUP		ASSOCIATION	
	2019 Staff	2018 Staff	2019 Staff	2018 Staff
Actual	667	637	411	404
Full time equivalent	589	565	363	354
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Staff costs</b>				
Wages and salaries	17,189	16,737	11,401	11,377
Social security costs	1,564	1,462	1,074	1,003
Pension costs	2,408	1,082	2,224	941
<b>Total staff costs</b>	<b>21,161</b>	<b>19,281</b>	<b>14,699</b>	<b>13,321</b>

The 2019 pension costs are split as follows:

	GROUP £'000	ASSOCIATION £'000
Defined benefit scheme contributions	1,546	1,546
Actuarial movement	327	327
Current Service cost	1,873	1,873
Expenses paid	43	43
Defined contribution scheme contribution	492	308
<b>Pension costs</b>	<b>2,408</b>	<b>2,224</b>

## 4 Operating surplus

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Profit for the year from continuing activities is stated after charging/(crediting):				
Depreciation of housing properties	10,233	9,994	10,233	9,994
Depreciation of other fixed assets	1,290	1,420	1,279	1,387
Amortisation	(2,851)	(2,786)	(2,851)	(2,786)
Bad debts	718	770	718	770
Auditors' remuneration:				
– In their capacity as auditors	45	42	26	27
– In respect of other services	4	4	4	4
Operating lease rentals:				
– Land and buildings	26	23	-	3
– Other assets	53	10	53	10

## 5 Surplus on sale of housing fixed assets

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Sales proceeds:		
– LCHO properties	1,451	1,079
– Other housing properties	1,318	599
Cost of sales:		
– LCHO property cost (note 14)	(1,224)	(1,034)
– LCHO property grant (note 22)	-	78
– Housing property cost (note 12)	(319)	(122)
– Housing property depreciation (note 12)	83	48
– Housing property grant amortisation (note 21)	(40)	(48)
– HomeBuy cost (note 14)	(252)	(197)
– Recycled capital grant additions (note 20)	(602)	(715)
– Cost of sales from Current Assets	(352)	-
– Grant written back	612	715
Sundry (costs)/income	(35)	(6)
<b>Surplus on sale of fixed assets</b>	<b>640</b>	<b>397</b>

## 6 Contingent liabilities

The Association amortises government grants over the useful lives of the properties, as required by SORP 2018. Although the Association has no current plans to sell its housing land and buildings, if it were to do so then government grants may become repayable. The total contingent liability as at 31 December 2019 is £66,701,000 (2018: £64,246,000). This represents the aggregate amortised amount of social housing and other government grants of £66,768,000 (2018: £64,309,000) excluding amortisation of non-repayable grants of £67,000 (2018: £63,000).

The Association is a participating employer member within the TPT Retirement Solutions Growth Plan. This is a multi-employer pension scheme, which is in most respects a money purchase arrangement but also has some guarantees. Employees of the Association have participated in the Growth Plan primarily through the use of additional voluntary contributions (AVCs). In accordance with the Occupational Pension Schemes (Employer Debt on Withdrawal) Regulations 2005, a potential debt can arise due from employers that participate in the Growth Plan. The debt would only crystallise in the event that the Association were to cease to participate in the scheme or in the event that the scheme were to wind up at a time when it were not fully funded on a buy-out basis. The Association has been notified by TPT Retirement Solutions that the estimated employer debt on withdrawal from the plan would be £429,000, based on the financial position of the plan as at 30 September 2017. A provision in respect of the present value of projected future deficit contributions has been recognised in the amount of £0.2 million (2018: £0.2 million).

## 7 Interest receivable

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable from investments	197	147	192	144
Intra-group interest receivable	-	-	22	32
<b>Total interest receivable</b>	<b>197</b>	<b>147</b>	<b>214</b>	<b>176</b>

## 8 Interest payable

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
On bank loans and overdrafts and other loans:		
Repayable wholly or partly in more than five years	8,566	8,196
Imputed interest from effective interest rate calculation	-	25
Interest payable to sinking funds	-	1
Finance charge in respect of the pension deficit	413	-
<b>Total interest payable</b>	<b>8,979</b>	<b>8,222</b>

## 9 Exceptional items

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Increase in pension provision following triennial valuation	-	(4,379)
Breakage costs from the repayment of housing loans	-	(3,497)
Loss on properties held for sale	-	(600)
Movement in land value	-	(184)
Release of lease provision	-	136
Write back of historic rent credits	604	-
Regeneration costs (note 12)	(4,876)	-
Regeneration grant received (note 21)	2,612	-
<b>Total exceptional items</b>	<b>(1,660)</b>	<b>(8,524)</b>

## 10 Corporation Tax

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Current tax</b>				
UK Corporation Tax at 19% (2018: 19%)	8	19	8	19
<b>Current taxation charge</b>	<b>8</b>	<b>19</b>	<b>8</b>	<b>19</b>
<b>Deferred tax</b>				
Origination and reversal of timing differences	-	-	-	-
<b>Tax on ordinary activities</b>	<b>8</b>	<b>19</b>	<b>8</b>	<b>19</b>

The Association adopted charitable rules with effect from 20 January 2005. No Corporation Tax is expected to arise after that date on activities directly related to the charitable objectives and activities of the Association. Taxation is payable firstly on feed-in tariff income received in respect of solar panels installed on the roofs of a number of the Association's properties and secondly on renewable heat initiative income earned from heat pumps installed at some of the Association's properties.

The remaining members of the Group are subject to Corporation Tax at the prevailing rate of taxation. Any current taxable profits of subsidiary undertakings have been reduced to £nil by remittance of the entire profits to the Association, benefitting from Gift Aid relief. Deferred tax liabilities are provided for in full as they arise.

## 11 Units in management

	GROUP & ASSOCIATION					units at 31 Dec 2019
	Opening units at 1 Jan 2019	New build	Purchase of units	Units sold or held for sale	Transfers	
General needs and retirement	10,216	101	5	(22)	15	10,315
Extra Care	169	-	-	-	-	169
Scheme managers	5	-	-	-	(2)	3
Intermediate rented	192	3	-	(2)	-	193
Supported housing	154	-	2	(1)	(12)	143
Other social housing	11	-	-	-	(3)	8
<b>Social housing units</b>	<b>10,747</b>	<b>104</b>	<b>7</b>	<b>(25)</b>	<b>(2)</b>	<b>10,831</b>
Shared ownership	25	-	-	-	-	25
Managed for private owners	1,158	-	(3)	1	2	1,158
Commercial units	4	-	-	-	-	4
<b>Non social-housing units</b>	<b>1,187</b>	<b>-</b>	<b>(3)</b>	<b>1</b>	<b>2</b>	<b>1,187</b>
<b>Total units owned and managed</b>	<b>11,934</b>	<b>104</b>	<b>4</b>	<b>(24)</b>	<b>-</b>	<b>12,018</b>

Available social housing included 109 units vacant as at 31 December 2019 (2018: 107 units).

The Association also has an interest in 67 (2018: 43) LCHO units and 202 (2018: 209) HomeBuy units.

## 12 Tangible fixed assets – housing land and buildings

	Social Housing Properties £'000	Shared ownership £'000	Market Rented Properties £'000	Properties in the course of £'000	GROUP Total £'000
<b>Cost</b>					
At 1 January 2019	658,149	635	901	45,068	704,753
Property acquisitions	791	-	-	48,226	49,017
Social housing properties completed	13,945	-	-	(13,945)	-
LCHO units completed (note 14)	-	-	-	(1,224)	(1,224)
Imputed costs	2,255	-	-	(48)	2,207
Component additions to existing properties	7,452	-	2	-	7,454
Component disposals	(3,219)	-	(3)	-	(3,222)
Housing property disposals (note 5)	(319)	-	-	-	(319)
Transfer to current assets	(878)	-	-	-	(878)
Exceptional costs - regeneration works (note 9)	-	-	-	(4,876)	(4,876)
Reclassification of properties (note 14)	52	-	-	-	52
<b>At 31 December 2019</b>	<b>678,228</b>	<b>635</b>	<b>900</b>	<b>73,201</b>	<b>752,964</b>
<b>Depreciation</b>					
At 1 January 2019	116,893	134	88	-	117,115
Charge for the year	10,219	5	9	-	10,233
Component disposals	(3,219)	-	(3)	-	(3,222)
Housing property disposals (note 5)	(83)	-	-	-	(83)
Transfer to current assets	(263)	-	-	-	(263)
<b>At 31 December 2019</b>	<b>123,547</b>	<b>139</b>	<b>94</b>	<b>-</b>	<b>123,780</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>554,681</b>	<b>496</b>	<b>806</b>	<b>73,201</b>	<b>629,184</b>
At 1 January 2019	541,256	501	813	45,068	587,638
				<b>2019</b>	2018
				<b>£'000</b>	<b>£'000</b>
Housing properties comprise:					
Freehold land and buildings				<b>729,444</b>	681,257
Long leasehold land and buildings				<b>23,451</b>	23,427
Short leasehold land and buildings				<b>69</b>	69
<b>Total housing land and buildings</b>				<b>752,964</b>	704,753

# Notes to the financial statements

for the year ended 31 December 2019

## 12 Tangible fixed assets – housing land and buildings (continued)

	Social Housing Properties £'000	Shared ownership £'000	Market Rented Properties £'000	Properties in the course of £'000	ASSOCIATION Total £'000
<b>Cost</b>					
At 1 January 2019	658,149	635	901	44,697	704,382
Property acquisitions	791	-	-	47,662	48,453
Social housing properties completed	13,945	-	-	(13,945)	-
LCHO units completed (note 14)	-	-	-	(1,224)	(1,224)
Imputed costs	2,255	-	-	(48)	2,207
Component additions to existing properties	7,452	-	2	-	7,454
Component disposals	(3,219)	-	(3)	-	(3,222)
Housing property disposals (note 5)	(319)	-	-	-	(319)
Transfer to current assets	(878)	-	-	-	(878)
Exceptional costs - regeneration works (note 9)	-	-	-	(4,876)	(4,876)
Reclassification of properties (note 14)	52	-	-	-	52
<b>At 31 December 2019</b>	<b>678,228</b>	<b>635</b>	<b>900</b>	<b>72,266</b>	<b>752,029</b>
<b>Depreciation</b>					
At 1 January 2019	116,893	134	88	-	117,115
Charge for the year	10,219	5	9	-	10,233
Component disposals	(3,219)	-	(3)	-	(3,222)
Housing property disposals (note 5)	(83)	-	-	-	(83)
Transfer to current assets	(263)	-	-	-	(263)
<b>At 31 December 2019</b>	<b>123,547</b>	<b>139</b>	<b>94</b>	<b>-</b>	<b>123,780</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>554,681</b>	<b>496</b>	<b>806</b>	<b>72,266</b>	<b>628,249</b>
At 1 January 2019	541,256	501	813	44,697	587,267
				<b>2019</b>	2018
				<b>£'000</b>	£'000
Housing properties comprise:					
Freehold land and buildings				<b>728,509</b>	680,886
Long leasehold land and buildings				<b>23,451</b>	23,427
Short leasehold land and buildings				<b>69</b>	69
<b>Total housing land and buildings</b>				<b>752,029</b>	704,382

Works charged to existing properties that have been capitalised are shown above under component additions to existing properties. Works charged within the statement of comprehensive income account (net of associated staff costs) during 2019 amounted to £4,122,000 (2018: £4,349,000) – see note 2c.

## 13 Other tangible fixed assets

						GROUP
	Motor vehicles £'000	Office equipment £'000	Site equipment £'000	Freehold commercial property £'000	Freehold office property £'000	Total £'000
<b>Cost</b>						
At 1 January 2019	220	5,280	7,668	1,010	11,579	25,757
Additions	-	550	403	-	-	953
Disposals	(12)	(4)	(56)	-	-	(72)
<b>At 31 December 2019</b>	<b>208</b>	<b>5,826</b>	<b>8,015</b>	<b>1,010</b>	<b>11,579</b>	<b>26,638</b>
<b>Depreciation</b>						
At 1 January 2019	199	3,324	4,616	153	856	9,148
Charge for year	-	530	442	21	297	1,290
Eliminated on disposals	(10)	(4)	(42)	-	-	(56)
<b>At 31 December 2019</b>	<b>189</b>	<b>3,850</b>	<b>5,016</b>	<b>174</b>	<b>1,153</b>	<b>10,382</b>
<b>Net book value</b>						
<b>At 31 December 2019</b>	<b>19</b>	<b>1,976</b>	<b>2,999</b>	<b>836</b>	<b>10,426</b>	<b>16,256</b>
At 1 January 2019	21	1,956	3,052	857	10,723	16,609

						ASSOCIATION
	Motor vehicles £'000	Office equipment £'000	Site equipment £'000	Freehold commercial property £'000	Freehold office property £'000	Total £'000
<b>Cost</b>						
At 1 January 2019	61	5,207	7,579	1,010	11,579	25,436
Additions	-	536	403	-	-	939
Disposals	-	(4)	(56)	-	-	(60)
<b>At 31 December 2019</b>	<b>61</b>	<b>5,739</b>	<b>7,926</b>	<b>1,010</b>	<b>11,579</b>	<b>26,315</b>
<b>Depreciation</b>						
At 1 January 2019	61	3,251	4,563	153	856	8,884
Charge for year	-	529	432	21	297	1,279
Eliminated on disposals	-	(4)	(42)	-	-	(46)
<b>At 31 December 2019</b>	<b>61</b>	<b>3,776</b>	<b>4,953</b>	<b>174</b>	<b>1,153</b>	<b>10,117</b>
<b>Net book value</b>						
<b>At 31 December 2019</b>	<b>-</b>	<b>1,963</b>	<b>2,973</b>	<b>836</b>	<b>10,426</b>	<b>16,198</b>
At 1 January 2019	-	1,956	3,016	857	10,723	16,552

## 14 Fixed asset investments – HomeBuy and LCHO loans receivable

	GROUP & ASSOCIATION					
	2019			2018		
	HomeBuy	Low Cost Home Ownership	Total	HomeBuy	Low Cost Home Ownership	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	9,184	1,970	11,154	9,453	1,591	11,044
Imputed costs	-	584	584	-	432	432
Reclassification from social housing (note 12)	(52)	1,224	1,172	(72)	981	909
Disposals (note 5)	(252)	(1,224)	(1,476)	(197)	(1,034)	(1,231)
<b>At 31 December</b>	<b>8,880</b>	<b>2,554</b>	<b>11,434</b>	<b>9,184</b>	<b>1,970</b>	<b>11,154</b>

HomeBuy loans are for mortgage rescues and equity loans to homeowners who were not otherwise able to fully afford their homes using commercially available mortgages under the scheme financed by the Welsh Government. The investment grants (note 22) represent the funding received from the Welsh Government for the above loans. These loans are stated at cost in accordance with Housing SORP 2018.

Low Cost Home Ownership (LCHO) represents the Association's stake in properties, where less than 100% ownership of the property was sold, primarily under Section 106 agreements where equity loans have been made, under low cost home ownership arrangements, to homeowners who were not otherwise able to fully afford their homes using commercially available mortgages. Equity loans are included in the balance sheet at historic cost.

The Association is entitled to a proportion of the market value corresponding to the equity interest at a time when homeowners either dispose of their HomeBuy or LCHO property or when they choose to repurchase some, or all, of the equity loan.

## 15 Fixed asset investments – other investments

	GROUP & ASSOCIATION	
	2019	2018
	£'000	£'000
At 1 January	6,265	2,843
Additions	1,287	3,484
Withdrawals	-	(38)
Change in fair value	100	(24)
<b>At 31 December</b>	<b>7,652</b>	<b>6,265</b>

The closing balances represent investments to meet interest reserves required by certain long-term loans.

## 16 Stock

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Completed properties	-	213	-	-
Work in progress	993	-	-	-
<b>Total stock</b>	<b>993</b>	<b>213</b>	<b>-</b>	<b>-</b>

Completed properties represent properties constructed that are intended for sale.

## 17 Trade and other debtors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Rent and service charge debtors	4,995	4,624	4,995	4,624
Bad debt provision for rent and service charges	(2,714)	(2,434)	(2,714)	(2,434)
Capital debtors	1,030	2,041	1,030	2,041
Housing Finance Grant debtor	716	615	716	615
Intra-group balances – loans	-	-	2,107	433
Intra-group balances – Gift Aid	-	-	1,772	1,625
Intra-group balances – trading	-	-	359	-
Loans to employees	37	34	37	34
Properties held for sale	1,601	1,904	1,601	1,904
Other debtors and prepayments	2,310	1,494	1,919	1,269
<b>Total debtors due within one year</b>	<b>7,975</b>	<b>8,278</b>	<b>11,822</b>	<b>10,111</b>

## 18 Trade and other debtors: amounts falling due after more than one year

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Housing Finance Grant debtor	28,718	24,033	28,718	24,033
Intra-group balances – loans	-	-	-	25
<b>Total debtors due after more than one year</b>	<b>28,718</b>	<b>24,033</b>	<b>28,718</b>	<b>24,058</b>

# Notes to the financial statements

for the year ended 31 December 2019

## 19 Creditors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Housing loans (note 20)	103	93	103	93
Land for Housing loans	8,808	8,531	8,808	8,531
Rent and service charges received in advance	1,962	2,314	1,962	2,314
Grants received and receivable in advance	5,246	5,254	5,246	5,254
Imputed grants (note 23)	150	126	150	126
Corporation Tax	8	19	8	19
Taxation and social security	462	444	332	311
Pension provision (note 29)	176	1,705	176	1,705
Sinking fund deferred income	668	755	668	755
Accrued mortgage interest	2,741	2,442	2,741	2,442
Bond market issuance premium	445	291	445	291
Intra-group balances – trading	-	-	-	355
Deferred heat initiative income	22	-	22	-
Accruals and other deferred income	9,950	7,706	4,590	4,242
<b>Total creditors due within one year</b>	<b>30,741</b>	<b>29,680</b>	<b>25,251</b>	<b>26,438</b>

The sinking fund deferred income relates to certain residents that are required to contribute towards the costs of maintaining their properties. Monies received in advance of associated maintenance expenditure are credited to sinking fund deferred income accounts, to which interest is applied.

The bond market issuance premium relates to the difference between bond coupon rates and the effective rate of the bond issuances. This balance is spread over the bond term.

## 20 Creditors: amounts falling due after more than one year

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Recycled capital grant fund	3,086	4,079
Housing loans	246,739	213,378
Investment grants (note 22)	11,228	10,948
Imputed grants (note 23)	21,446	19,413
Bond market issuance premium	10,703	6,872
Other creditors	1,088	-
Deferred heat initiative income	523	-
Pension provision (note 29)	170	12,314
<b>Total creditors due after more than one year</b>	<b>294,983</b>	<b>267,004</b>

Housing loans are shown net of capitalised loan fees of £3,216,000 (2018: £2,679,000).

## 20 Creditors: amounts falling due after more than one year (continued)

Housing loans are secured by specific charges on the Association's housing properties. Rates of interest during the year ranged from 1.20% to 12.05% (2018: 1.24% to 12.05%). The weighted average rate of interest for 2019 was 3.49% (2018: 3.53%). At 31 December 2019, 96% (2018: 93%) of loans bore interest at fixed rates, 3% (2018: 6%) at variable rates and 1% (2018: 1%) at index-linked rates.

The loans are repayable as follows:

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
<b>Amounts falling due:</b>		
Within one year or less	103	93
Between one and two years	114	103
Between two and five years	1,486	386
In five years or more	245,139	212,889
In more than one year	246,739	213,378
<b>Total housing loans</b>	<b>246,841</b>	<b>213,471</b>

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Repayable otherwise than by instalments in more than five years	230,000	196,000
Repayable by instalments wholly or partly in more than five years	15,139	16,889
<b>Total repayable in more than five years</b>	<b>245,139</b>	<b>212,889</b>

Housing loans are shown net of capitalised loan fees of £3,216,000 (2018: £2,679,000).

The movement on the recycled capital grant fund was as shown below:

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
At 1 January	(4,079)	(3,364)
Additions during the year (note 5)	(602)	(715)
Deductions during the year	1,595	-
<b>At 31 December</b>	<b>(3,086)</b>	<b>(4,079)</b>

## 21 Social housing and other government grants

	GROUP & ASSOCIATION			
	Social housing properties £'000	Shared ownership £'000	Properties in the course of construction £'000	Total £'000
<b>Gross grant creditor</b>				
At 1 January 2019	335,262	392	31,426	367,080
Transfer from HomeBuy (note 22)	52	-	-	52
Property acquisitions	-	-	25,356	25,356
Schemes completed	6,895	-	(6,895)	-
Transfer to current assets	(576)	-	-	(576)
Exceptional costs - regeneration works (note 9)	-	-	(2,612)	(2,612)
Housing property disposals	(147)	-	-	(147)
<b>At 31 December 2019</b>	<b>341,486</b>	<b>392</b>	<b>47,275</b>	<b>389,153</b>
<b>Amortisation</b>				
At 1 January 2019	64,201	108	-	64,309
Credit for the year	2,699	2	-	2,701
Transfer to current assets	(202)	-	-	(202)
Housing property disposals	(40)	-	-	(40)
<b>At 31 December 2019</b>	<b>66,658</b>	<b>110</b>	<b>-</b>	<b>66,768</b>
<b>Net grant creditor</b>				
<b>At 31 December 2019</b>	<b>274,828</b>	<b>282</b>	<b>47,275</b>	<b>322,385</b>
At 1 January 2019	271,061	284	31,426	302,771

Included within social housing properties grants are £1,257,000 (2018: £1,257,000) of non-repayable grants that are being amortised over the life of the relevant assets.

The grants are amortised as follows:

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Within one year or less	2,701	2,660
Between one and two years	2,701	2,660
Between two and five years	8,103	7,980
In five years or more	308,880	289,471
In more than one year	319,684	300,111
<b>Total grant creditor</b>	<b>322,385</b>	<b>302,771</b>

## 22 Investment grants

	GROUP & ASSOCIATION					
	2019			2018		
	HomeBuy	Low Cost Home Ownership	Total	HomeBuy	Low Cost Home Ownership	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	9,042	1,906	10,948	9,311	1,502	10,813
Imputed costs	-	584	584	-	432	432
Transfer (to)/from Social Housing (note 21)	(52)	-	(52)	(72)	50	(22)
Disposals	(252)	-	(252)	(197)	(78)	(275)
<b>At 31 December</b>	<b>8,738</b>	<b>2,490</b>	<b>11,228</b>	<b>9,042</b>	<b>1,906</b>	<b>10,948</b>

The investment grant is funding received from the Welsh Government to fully fund the HomeBuy scheme, the assets of which are shown as a fixed asset investment (note 14). All amounts are due in more than one year.

## 23 Imputed grants

	GROUP & ASSOCIATION	
	Social housing properties	
	2019	2018
	£'000	£'000
<b>Gross grant creditor</b>		
At 1 January	19,853	8,905
Property acquisitions	2,207	10,948
<b>At 31 December</b>	<b>22,060</b>	<b>19,853</b>
<b>Amortisation</b>		
At 1 January	314	188
Credit for the year	150	126
<b>At 31 December</b>	<b>464</b>	<b>314</b>
<b>Net grant creditor</b>		
<b>At 31 December</b>	<b>21,596</b>	<b>19,539</b>
At 1 January	19,539	8,717

## 23 Imputed grants (continued)

The grants are amortised as follows:

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Within one year or less	150	126
Between one and two years	150	126
Between two and five years	450	378
In five years or more	20,846	18,909
In more than one year	21,446	19,413
<b>Total grant creditor</b>	<b>21,596</b>	<b>19,539</b>

## 24 Provisions for liabilities

Provisions are recognised where uncertainty exists in relation to 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 Group's best estimate of potential liabilities.

	GROUP		
	Insurance £'000	Deferred taxation £'000	Total £'000
At 1 January 2019	60	10	70
Utilised during the year	-	-	-
Released during the year	(16)	-	(16)
Additions during the year	22	-	22
<b>At 31 December 2019</b>	<b>66</b>	<b>10</b>	<b>76</b>

	ASSOCIATION	
	Insurance £'000	Total £'000
At 1 January 2019	60	60
Utilised during the year	-	-
Released during the year	(16)	(16)
Additions during the year	22	22
<b>At 31 December 2019</b>	<b>66</b>	<b>66</b>

Insurance provisions relate to excess levels on known insurable claims yet to be settled. Contractual obligations represented a provision on certain property leases and supplier contracts which have now been settled. Deferred taxation arises in Cambria, a wholly-owned subsidiary, and relates to the timing of tax payments due.

## 25 Called-up share capital

	GROUP & ASSOCIATION	
	2019	2018
	£	£
Allotted, issued and fully paid		
At 1 January	112	112
Issued during the year	4	2
Shares cancelled during the year	(26)	(2)
<b>At 31 December</b>	<b>90</b>	<b>112</b>

Shareholders have no entitlement to dividends or return of monies in respect of shares surrendered or a share in the assets in the event of the Association being wound up. No shareholder may hold more than one share and each share carries only one vote.

## 26 Capital commitments

	GROUP & ASSOCIATION	
	2019	2018
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	51,517	41,937
Capital expenditure that has been authorised by the Board but has not yet been contracted for	51,340	35,547

At 31 December 2019, the Association intended to fund this expenditure from a combination of free cash generation, social housing grants and loan drawdown from loan facilities already in place.

## 27 Operating leases

At 31 December, the Group had total commitments under operating leases as follows:

	2019			GROUP		
	Land and buildings	Office equipment	Site equipment	Land and buildings	Office equipment	Site equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Leases expiring:						
Within one year	-	-	-	-	4	-
Between two and five years	28	25	13	54	30	-
Between six and ten years	-	-	263	-	-	-
<b>Total operating lease commitments</b>	<b>28</b>	<b>25</b>	<b>276</b>	<b>54</b>	<b>34</b>	<b>-</b>

## 27 Operating leases (continued)

	2019			ASSOCIATION 2018		
	Land and buildings £'000	Office equipment £'000	Site equipment £'000	Land and buildings £'000	Office equipment £'000	Site equipment £'000
Leases expiring:						
Within one year	-	-	-	-	4	-
Between two and five years	-	25	13	-	30	-
Between six and ten years	-	-	263	-	-	-
<b>Total operating lease commitments</b>	<b>-</b>	<b>25</b>	<b>276</b>	<b>-</b>	<b>34</b>	<b>-</b>

Costs in respect of operating leases are amortised on a straight-line basis over the lease term.

## 28 Pension schemes

The Association participates in two defined benefit pension schemes, the Social Housing Pension Scheme (SHPS) and The Growth Plan, both of which are multi-employer, final salary, schemes. The Growth Plan is closed to new members. Within SHPS, the Association has an open Career average revalued earnings (CARE) scheme with a 1/80<sup>th</sup> accrual rate. The Final salary scheme with a 1/60<sup>th</sup> accrual rate closed to new members on 31 March 2011 and the CARE scheme with a 1/60<sup>th</sup> scheme closed to new members on 30 June 2019. The Association makes contributions of 9.85% in the SHPS schemes.

The Associations' share of assets and liabilities in respect of the Social Housing Pension Scheme are assessed by the scheme actuary as at each reporting date, based upon key assumptions including discount rates, mortality rates, inflation, future salary costs and future pension costs. Changes in the Association's net asset or net liability in respect of its obligations to scheme members pass through Other Comprehensive Income and have an impact on the Group's financial reserves.

It is not possible for the Association to obtain sufficient information to enable it to account for Growth Plan as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme. The Association's current liability in respect of the Growth Plan is £205k (see note 29).

Both schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The schemes are classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. The current estimated liability if this was to happen is £61.2 Million based on the latest actuarial valuation dated 30 September 2017.

## 28 Pension schemes (continued)

The Group also participates in the Social Housing Defined Contribution Scheme, making employee contributions up to a maximum of 9.85% of salary, paying £492k into the scheme during the year (see note 3b).

### SOCIAL HOUSING PENSION SCHEME

#### Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	31 December 2019	31 December 2018
	£'000	£'000
Fair value of plan assets	55,908	47,556
Present value of defined benefit obligation	70,918	62,750
<b>Net defined benefit asset (liability) to be recognised</b>	<b>(15,010)</b>	<b>(15,194)</b>

#### Reconciliation of opening and closing balances of the defined benefit obligation

	Period ended 31 December 2019
	£'000
Defined benefit obligation at start of period	62,750
Current service cost	1,873
Expenses	43
Interest expense	1,786
Contributions by plan participants	10
Actuarial losses (gains) due to scheme experience	(1,795)
Actuarial losses (gains) due to changes in demographic assumptions	192
Actuarial losses (gains) due to changes in financial assumptions	7,562
Benefits paid and expenses	(1,503)
<b>Defined benefit obligation at end of period</b>	<b>70,918</b>

## 28 Pension schemes (continued)

### Reconciliation of opening and closing balances of the fair value of plan assets

		Period ended 31 December 2019 £'000
Fair value of plan assets at start of period		47,556
Interest income		1,373
Experience on plan assets (excluding amounts included in interest income) - gain (loss)		5,316
Employer contributions made (note 3b)	1,546	
Past deficit contributions	1,567	
Expenses	43	
Total contributions by the employer		3,156
Contributions by plan participants		10
Benefits paid and expenses		(1,503)
<b>Fair value of plan assets at end of period</b>		<b>55,908</b>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 December 2019 was £6,689,000.

### Defined benefit costs recognised in Statement of Comprehensive Income

		Period from 1 January 2019 to 31 December 2019 £'000
Employer contributions made (note 3b)	1,546	
Actuarial movements	327	
Current service cost		1,873
Expenses		43
Net interest expense		413
<b>Defined benefit costs recognised in statement of comprehensive income</b>		<b>2,329</b>

## 28 Pension schemes (continued)

### Defined benefit costs recognised in Other Comprehensive Income

	Period ended 31 December 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	5,316
Experience gains and losses arising on the plan liabilities - gain (loss)	1,795
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(192)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(7,562)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(643)
<b>Total amount recognised in other comprehensive income - gain (loss)</b>	<b>(643)</b>

### Assets

	31 December 2019 £'000	31 December 2018 £'000
Global Equity	11,255	7,359
Absolute Return	2,673	4,395
Distressed Opportunities	1,080	943
Credit Relative Value	1,459	941
Alternative Risk Premia	3,703	2,376
Fund of Hedge Funds	50	839
Emerging Markets Debt	2,071	1,652
Risk Sharing	1,833	1,601
Insurance-Linked Securities	1,558	1,559
Property	1,241	2,075
Infrastructure	3,947	2,121
Private Debt	1,108	630
Opportunistic Illiquid Credit	1,016	-
Corporate Bond Fund	2,708	2,309
Liquid Credit	-	-
Long Lease Property	1,091	-
Secured Income	1,829	1,852
Over 15 Year Gilts	-	-
Liability Driven Investment	16,991	16,762
Net Current Assets	295	142
<b>Total assets</b>	<b>55,908</b>	<b>47,556</b>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

## 28 Pension schemes (continued)

### Key Assumptions

	31 December 2019 % per annum	31 December 2018 % per annum
Discount Rate	2.09%	2.84%
Inflation (RPI)	3.01%	3.25%
Inflation (CPI)	2.01%	2.25%
Salary Growth	2.20%	2.50%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 December 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

## 29 Pensions movements

	SHPS DB £'000	SHPS AVC £'000	Cardiff & Vale LPGS £'000	Total £'000
Opening Balance at 1 January 2019	12,177	229	1,613	14,019
Exit payment during the year	-	-	(1,300)	(1,300)
Opening balance adjustment	3,017	-	-	3,017
<b>Sub Total</b>	<b>15,194</b>	<b>229</b>	<b>313</b>	<b>15,736</b>
Other comprehensive income movement	643	-	-	643
Comprehensive income	2,329	-	-	2,329
Financing costs pension deficit	-	11	(172)	(161)
Employer contributions	(3,156)	(35)	-	(3,191)
<b>Total</b>	<b>15,010</b>	<b>205</b>	<b>141</b>	<b>15,356</b>

## 30 Subsidiary undertakings

The Association has four directly-owned subsidiary undertakings:

Undertaking	Percentage owned	Registration number
Cambria Maintenance Services Limited	100	7389484
Enfys Developments Limited	100	8292315
Castell Ventures Limited	100	8292028
Castell Homes Limited	100	11149375

During the year, Cambria generated turnover of £12,080,000 (2018: £12,053,000), of which £12,034,000 (2018: £11,969,000) was billed to the Association in respect of reactive and planned maintenance services and component replacements. At the year-end £38,000 (2018: £28,000) was outstanding. The Association has made a loan of to provide working capital, of which £58,000 (2018: £58,000) was outstanding at the year end, together with £1,437,000 (2018: £1,448,000) due to the Association in respect of Gift Aid.

During the year, Enfys generated turnover of £33,867,000 (2018: £17,898,000), of which £32,874,000 (2018: £17,898,000) was billed to the Association and £992,700 was billed to Castell Homes (2018: nil) in respect of construction management services carried out under design and build contracts. At the year-end £281,000 (2018: £482,000) was outstanding. The Association was due £335,000 (2018: £177,000) in respect of Gift Aid at the year end.

During the year, Castell Ventures generated turnover of £1,729,000 (2018: £1,335,000), of which £501,000 (2018: £548,000) was billed to the Association in respect of catering services, £130,000 (2018: £101,000) for cleaning services and £89,000 (2018: £86,000) for supporting people services. At the year end, £34,000 (2018: £50,000) was outstanding. The Association was not due any monies in respect of Gift Aid at the year-end (2018: £nil). The Association has made a loan of £150,000 for working capital for care and support activities (2018: £150,000).

During the year, Castell Homes generated turnover of £265,000 (2018: £278,000) from the sale of residential homes, all of which was billed to external parties. The Association had a loan balance due of £699,000 (2018: £250,000) at year end, which was made to enable Castell Homes to purchase and develop homes for sale.

## 31 Related party transactions

The following members of the Board who served during the year were also residents of the Association during the year:

Ms J Bere	Elected 19 April 2014
Mr O Constantine	Resigned 13 June 2019
Ms H Christan	Elected 26 May 2016

The above members were on standard Association resident agreement terms and were forbidden from using their position on the Board to their personal advantage.

Two Members also held positions on the Board of Slocombe Cottages for the Aged and Infirm, which is a Registered Charity. During the year Slocombe made an annual rent subsidy to the Association of £21,419 (2018: £20,358).

## 32 Movement in net debt

					GROUP
	At 31	Cashflow	Issue	Non cash	Total
	December				
2018	£'000	£'000	£'000	£'000	£'000
Cash	12,539	19,627	-	-	32,166
Loans due in less than one year	93	(1)	-	11	103
Loans due in greater than one year	213,378	36,390	(3,018)	(11)	246,739
Land for housing loans	8,531	277	-	-	8,808
					-
<b>Total</b>	<b>234,541</b>	<b>56,293</b>	<b>(3,018)</b>	<b>-</b>	<b>287,816</b>

					ASSOCIATION
	At 31	Cashflow	Issue	Non cash	Total
	December				
2018	£'000	£'000	£'000	£'000	£'000
Cash	8,208	16,706	-	-	24,914
Loans due in less than one year	93	(1)	-	11	103
Loans due in greater than one year	213,378	36,390	(3,018)	(11)	246,739
Land for housing loans	8,531	277	-	-	8,808
					-
<b>Total</b>	<b>230,210</b>	<b>53,372</b>	<b>(3,018)</b>	<b>-</b>	<b>280,564</b>

## 33 Parent undertaking and controlling party

Wales & West Housing Association Limited is legally owned by its shareholders, but they are restricted and have no personal beneficial interest in the assets of the Association. The ultimate controlling party is considered to be the Board.

Wales & West Housing Association Limited is the parent of the largest and smallest groups in which the results of the Group are consolidated. Copies of the consolidated financial statements are available on request from the registered address of the Association:

Wales & West Housing Association Limited  
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 77 Parc Tŷ Glas  
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