



Cadwyn Housing Association
Report and Financial Statements
For the Reporting Date 31 March 2020



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Board Members, Senior Executives, Advisors and Bankers

Registered Office

197 Newport Road, Cardiff, CF24 1AJ

Co-operative & Community Benefits Societies Registered Number 18805R

Welsh Government Registered Number L019

Board

Chair Ms J.James

Vice-Chair Mr J.Union

Other Members

Ms K. Dalton	Mr D. Walker
Ms N. Eynon	Ms C. Madge
Mr M. Stevens – retired	Mr P. Riley
Ms S. Hughes	Mr P. Evans
Mr I Jones	

Senior Executives

Chief Executive / Company Secretary Ms K. Palmer

Director of Asset & Investments Mr A. Bateson

Director of Housing Vacant

Director of Corporate Services Mrs S. Daniel

External Auditors

Bevan Buckland
Langdon House, Langdon Road
Swansea Waterfront
SA1 8QY

Internal Auditors

TIAA
90 Victoria Street, Bristol, BS1 6DP

Principal Solicitors

Hugh James
2 Central Square, Cardiff, CF10 1FS

Principal Bankers

Barclays Bank PLC
Windsor Court, 3 Windsor Place Cardiff, CF10 3BT



Strategic Report

Mission and Values

Introduction

Cadwyn is a community housing association, working predominantly in Cardiff. We own or manage over 2000 homes. Originally established in 1968 our mission is “to provide good quality homes and build communities through partnership and innovation”

Our Vision

We want to achieve Thriving Communities to be rooted in our community, providing homes and opportunities to transform people’s lives for the better.

Our Offering

We provide Homes & Opportunities

Our Purpose

Cadwyn provides good quality homes and builds communities through partnership and innovation

Our Values

Everything we do will be underpinned by how we work with each other using our values of:

- Fairness
- Kindness
- Honesty
- Respect



Strategic Report continued

Business review

Our key aims

Existing Homes

We ensure people live in well managed and maintained homes, which are safe, comfortable and energy efficient.

New Homes

We increase the supply of new affordable and environmentally sustainable homes for those in need

People

We work with our tenants and communities so that they thrive

Our Business

We are a successful and independent social business valued for our contribution



Strategic Report continued

Existing Homes

Improve energy efficiency and carbon emissions

We are currently working with various external working groups to understand how we will improve energy efficiency and reduce carbon emissions in our homes. We have various programs for future years, such as, windows and doors, roof and render which will contribute to the improvement of efficiencies.

As part of the Asset Management Strategy, Year 1 (2020/21) is about planning and we will continue to build information to understand how best to improve energy and carbon emissions from Year 2 (2021/22).

Maintain WHQS & implement any revisions to WHQS

We are meeting with Welsh Government to review the outgoing WHQS Standards and support in influencing what the future WHQS will look like.

Efficient & Effective reactive repairs

We have introduced a new Asset Management system which when combined with our repairs system provides us with a complete data picture. This data will be used alongside our stock condition surveys to deliver efficient and effective repairs and compliance

New Homes

Increase number of new affordable homes

During the year we secured land to develop 160 apartments and delivered 2 package deals with the Local Authority. We have a substantial development program going forward and will continue to work to build on this success.

Epc A rated

We are in the process of trying to collect intelligence on highly efficient buildings and what technologies are required. We will continue to research and prepare a cost comparison on viability models going forward



Strategic Report continued

Build market homes to cross subsidise social homes

We have started the first phase of the prestigious development at The Wharf. This is Cadwyn's first open market sales scheme of 35 apartments and is due for completion in November 2021. Later open market sales phases of the development will largely depend on how successful the first phase has been.

People

Increase tenant engagement

During the year we have doubled membership of Cadwyn Service Improvement Team (tenant scrutiny group) and they have completed a Disabilities review, the findings of which are now being implemented. We have worked closely with ProMo-Cymru, a community engagement organisation, to find out what tenants think and have been testing out our new Listen, Act, Communicate approach in line with the Tenant Engagement Framework. Digital engagement has increased over the past 12 months and is an efficient and effective way to gather feedback from large groups of tenants

Reduce repeat homelessness

To try to reduce repeat homelessness in general needs we have introduced a comprehensive pre-tenancy assessment to ensure that applicants to our properties receive the right advice and support so that they can sustain their tenancies. Legal action and costs have greatly reduced as we have adopted a restorative approach to anti-social behaviour and rent arrears although there are occasions when this does not work, and more formal action is eventually taken. £10k has been spent on legal costs in the last two years compared to £98k in the two years prior.

The financial inclusion service has made tenants better off by £215,507 in 2019/20 by supporting tenants to make new benefit claims, clear debts and make savings on existing outgoings.

Ensure our services meet the needs of our communities

Our website has been developed to make it more accessible to disabled people. Promo-Cymru carried out a BAME consultation on our behalf and identified some recommendations. BAME tenants were, overall, very satisfied with how they were treated by Cadwyn



Strategic Report Continued

Our Business

Financial viability is strong

During the year we carried out a treasury review with Centrus which led to a subsequent refinance exercise. We entered into a private placement with a new funder in June. This has provided Cadwyn with long term funding, an enhanced suite of covenants and addressed the current refinance risk. This has strengthened our financial viability and will support our core aim to deliver more social housing.

Value for money remains a key focus. This year the decision was made by the board to close Four Walls for this reason.

Good Governance & validation

A governance review was carried out during the year. We have put together an action plan, which will be reported on quarterly to the board, to implement the improvements.

We have carried out a review of the skills sets amongst board members with the aim of identifying any shortfalls. Following the initial assessment, we have successfully recruited 2 additional board members.

We have continued working on our Board Assurance Framework (BAF) and linking this into our risk register. This framework has allowed us to identify what our main assurance sources are and to coordinate them to best effect. The Audit committee will have oversight of the BAF and associated action plans with the Board reviewing it annually.

The Board are committed to complying with the existing Community Housing Cymru's Code of Governance and have altered existing practice consequently. Currently, members are unpaid volunteers, receiving only legitimate expenses during the year. In 2019/20 this amounted to £248 (2018/19: £836).



Strategic Report Continued

High performing staff and board

Our staff survey highlighted more than 80% satisfaction with staff feeling respected, looked after and supported with personal health and wellbeing. Staff understand how they can contribute to Cadwyn's success and would recommend us as a good employer. An Action Plan was produced from the staff survey results, and we are working through the actions with positive results noted.

We have been developing a people strategy aligned to our Business Strategy and Values which will be introduced in 2020. The main aims are to;

- attract and retain the right people, with the right skills, behaviours and values.
- provide fair terms and conditions, benefits and reward.
- ensure our people are supported and encouraged to achieve and maintain high levels of health and wellbeing.
- provide access to learning and development to enable people to be high performing.
- ensure people are happy, they love being part of Cadwyn and they feel valued.
- ensure people are 'enabled' by People Services; People Services encourage staff to be high performing

We have had a number of cultural achievements during the year with teams engaging with the principles of Restorative Approaches through training and practical application as well as a Cadwyn Connects event, encouraging connection and engagement. Greater emphasis has been placed upon health and safety this has been aided through working with a consultant. We have also taken on a part time GDPR officer and provided training for all staff.

A culture of openness, trust and transparency

We have been looking at how we communicate with our tenants and staff. Internally we held our first staff meeting online and we have increased our communication across a number of different platforms.

Tenants received a monthly newsletter and we are trialling our first online Zoom meeting with them where we hope to encourage positive communication and views on what Cadwyn should be doing on a variety of current topics.



Strategic Report continued

Risk and Uncertainty

Understanding and mitigating risk is a key Board responsibility. The Executive team review the risk maps (strategic and operational) quarterly with the Board reviewing twice a year. Risk movement is highlighted and discussed.

Capital risk in commercial investment will be mitigated by development being carried out in the subsidiary company, with a separate board suitably qualified to understand the challenges. Treasury management, tax risks and pensions advice are managed by accessing independent consultants.

Revenue risk is mainly created by the changing welfare reforms that have reduced tenant's income, on the assumption that they would be better off in work. Additionally, the introduction and roll out of Universal Credit paid directly to tenants creates uncertainty to our future income. Provisions for bad debts have increased in our budgets and our staff members are working hard to support tenants to pay

Prospects for the Future

The Board has been focused on building a sustainable organisation for the future and laying the infrastructure for diversification. This has included the establishment of the group structure.

The original budget was set with an operating surplus of £2.810m. This was reforecast following the change in pension disclosure at the end of March 2019 to £2.524m and exceeded at the year end due to profit on disposal of a property.

Audit and Risk Committee

This committee is made up of four members of the Board and is led by a committee Chair. The Committee meets at least three times a year. The Committee's delegated authorities and calendar of prioritised work have not changed substantially from previous years. The key responsibilities of the Committee are to monitor external audit, internal audit reports, evaluating risk and ensuring that an appropriate control system is in place.



Strategic Report Continued

Governance, Equalities and HR Committee

This committee has been in place for a couple of years and is made up of four members of the Board and is led by a committee Chair. The Committee meets quarterly. The key responsibilities of the Committee include recommending a policy on remuneration and terms and conditions for staff, including Executive Team; review compliance with the Code of Governance; consider appeals by staff and termination arrangements outside contract of employment and consider specific governance and equality issues.

Pension

During last year we have changed our accounting policy for the Social Housing Pension Scheme. This was due to a change in the information provided by the Pension Trust which allows us to account for the scheme as a defined benefit. For financial years ending on or before 28 February 2019, it has not been possible to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

This has resulted in a one-off adjustment in other comprehensive income in the statement of comprehensive income to recognise the brought forward liability in the financial statements.



Strategic Report Continued

Gender pay gap

The gender pay gap is the difference between the average earnings of men and women, expressed relative to men’s earnings.

Cadwyn had in employment 126 (2018: 126) relevant employees as at 31st March 2020;

2020	62% Female	38% Male
2019	62% Female	38% Male

	31 March 2019 Women’s earnings are:	31 March 2019 Women’s earnings are:
Mean gender pay gap	4% lower	3% lower
Median gender pay gap	6.95% lower	4.72% lower

Cadwyn has a higher % of female employees the majority of these are in the bottom 2 quartiles (40 female 25 male) which brings the mean and median values down. This is largely due to the number of female relief staff which is more than double the number of male staff.

Statement of Internal Control

The board is responsible for the Association’s system of internal financial controls which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

The Board have established the following procedures in order to provide on-going effective internal financial controls:

- Written financial procedures with headline delegated authorities which are reviewed annually to ensure they are fit for purpose;
- Comprehensive system of financial reporting including annual budgets and quarterly management accounts, to report actual performance against budget and to highlight variances;
- Monitoring of the internal financial controls and procedures by the Association’s internal auditor and (for the year-end) by the external auditors. These reports are reviewed by Audit Committee and the Board.



Strategic Report continued

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 of the surplus or deficit of the Association for that period.

In preparing those financial statements, the Board is required to select suitable accounting policies, as described on pages 19 to 63, 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 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 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 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.

In so far as the Board is aware:

- there is no relevant audit information of which the Association'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.

A resolution to re-appoint Bevan and Buckland as auditors was proposed and approved by the Board on 1 July 2020.

The Annual General Meeting will be held on 23 July 2020

This report has been approved by the Board on 1 July 2020

Signed by company secretary



Independent Auditors' Report to the Members of Cadwyn Housing Association Limited

In addition to our audit on the financial statements for the year ended 31st March 2019, we have reviewed the Board's statement of Cadwyn Housing Association's compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

The objective of our review is to enable us to conclude on whether the Board has provided the disclosures required by the Circular and whether the statement is consistent with the information of which we are aware from our audit work on 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.

Opinion

With respect to the Board's statement on internal financial control, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.

Bevan Buckland LLP
Chartered Accountants & Statutory Auditors
Langdon House
Langdon Road
Swansea
SA1 8QY

Date:



Independent Auditors' Report to the Members of Cadwyn Housing Association Limited continued

We have audited the financial statements of Cadwyn Housing Association for the year ended 31st March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the associations' affairs as at 31st March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

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 Auditors 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 if, in our opinion:

- the board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.



Independent Auditors' Report to the Members of Cadwyn Housing Association Limited continued

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Management.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the board

As explained more fully in the Statement of Responsibilities of the Board, 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 determine 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 are responsible for assessing the 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 intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.



Independent Auditors' Report to the Members of Cadwyn Housing Association Limited continued

Our 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 a Report of the Independent Auditors 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Independent Auditors.

Use of our report

This report is made solely to the association's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditors' 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.

Bevan Buckland LLP
Chartered Accountants & Statutory Auditors
Langdon House
Langdon Road
Swansea SA1 8QY

Date:



Statement of Comprehensive Income

For the reporting period ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Turnover - Continuing Activities	2	17,210	13,899
Less: Operating costs	2	(14,510)	(11,560)
Operating Surplus - Continuing Activities	6	2,701	2,339
Finance Income	8	3	5
Finance costs	9	(1,624)	(1,342)
Movement in fair value of Investment properties	11	(70)	-
Surplus on ordinary activities before taxation		1,010	1,002
Tax on surplus on ordinary activities	24	-	-
Surplus for the year		1,010	1,002
Initial recognition of multi-employer defined benefit scheme		-	(1,286)
Actuarial gains/(losses) in respect of pension schemes		1,522	(495)
Total comprehensive income for the year		2,532	(779)



Statement of Financial Position

For the reporting period ended 31 March 2020

	Notes	2020	2019
Non Current Assets			£'000
Property Plant & Equipment			
Social Housing properties	10a	98,482	92,755
Other property plant and equipment	10b	1,543	1,454
		<u>100,024</u>	<u>94,209</u>
Investment	11	2,220	2,290
		102,244	96,499
Current Assets			
Stock	12	52	471
Trade receivables - due within one year	12a	1,352	2,327
Trade receivables - due after more than one year	12b	1,245	1,267
Cash		4,584	2,050
		<u>7,233</u>	<u>6,115</u>
Creditors: amounts falling due within one year			
Creditors	14	(30,448)	(7,672)
Government Grants	15a	(360)	(360)
		<u>(30,808)</u>	<u>(8,032)</u>
Net current assets / (Liabilities)		<u>(23,575)</u>	<u>(1,916)</u>
Total assets less current liabilities		78,670	94,583
Creditors falling due after more than one year:			
Creditors	15	(16,782)	(34,176)
Government Grants	15a	(51,808)	(51,204)
Provision for liabilities :			
Pension provision	19	(1,330)	(2,941)
		<u>8,751</u>	<u>6,262</u>
Equity			
Called up share capital	16	-	-
Total Reserves		8,751	6,262
		<u>8,751</u>	<u>6,262</u>

These financial statements were approved by the Board on 1 July 2020 and were signed on its behalf by:-

.....
Chair

.....
Board Member

.....
Company Secretary



Statement of Income and Retained Earnings

For the reporting period ended 31 March 2020

Note	Revenue Reserve	Designated Reserves	Total 2019
	£000's	£000's	£000's
Retained earning 1st April 2018	6,884	156	7,040
Restatements for changes in accounting policy	-	-	-
Retained earnings brought forward	6,884	156	7,040
Retained earnings for the reporting period	-	-	-
Restatements for changes in accounting policy	-	-	-
Retained earnings for the reporting period	6,884	156	7,040
Surplus for the year	1,002	-	1,002
Other Comprehensive Income	(1,781)	-	(1,781)
Transfers (to)/from designated reserves	(18)	18	-
Retained Earnings 31st March 2019	6,087	174	6,262

	Revenue Reserve	Designated Reserves	2020
Retained earning 1st April 2019	6,087	174	6,262
Restatements for changes in accounting policy	(43)	-	(43)
Retained earnings brought forward	6,044	174	6,219
Retained earnings for the reporting period	-	-	-
Restatements for changes in accounting policy	-	-	-
Retained earnings for the reporting period	6,044	174	6,219
Surplus for the year	1,010	-	1,010
Other Comprehensive Income	1,522	-	1,522
Transfers (to)/from designated reserves	(5)	5	-
Retained Earnings 31st March 2020	8,571	179	8,751



Statement of Cash Flow

For the reporting period ended 31 March 2020

	2020	2019
	£'000	£'000
Operating Surplus	2,701	2,308
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,813	1,671
Government grants utilised in the year	(346)	(359)
Pension revaluation	(90)	
Nu Life bfw investment	(43)	
Working Capital Movements:		
Decrease/(increase) in trade and other debtors	1,407	(954)
(Decrease)/increase in trade and other creditors	(601)	1,326
Carrying amount of PPE disposals	70	151
Net cash generated from operating activities	4,910	4,143
Interest received	3	5
Interest on mortgage fees paid	(1,489)	(1,325)
Taxation paid	-	-
Adjustments for reinvestment in existing properties:		
Component replacements	(1,083)	(1,092)
Purchase of other replacement fixed assets	(371)	(135)
Free cash generated / (consumed) before loan repayments	1,969	1,596
Loans repaid	(2,819)	(2,712)
Free cash consumed after loan repayments	(850)	(1,116)
Cash flow from investing activities		
Purchase and development of properties	(6,236)	(3,066)
Proceeds from sale of properties and other fixed assets	-	386
Grants received	2,889	2,383
Cash flow from financing activities		
New secured loans	6,731	1,000
Net (decrease) / increase in cash and cash equivalents	2,534	(413)
cash and cash equivalents at the beginning of the year	2,050	2,463
cash and cash equivalents at the end of the year	4,584	2,050



Notes to the Cash Flow

For the reporting period ended 31 March 2020

(b). Reconciliation of net cashflow to movement in net debt

	2020	2019
	£'000	£'000
Increase/(decrease) in cash	2,533	(413)
Cash (inflow)/outflow from (increase)/decrease in debt and lease finances	(3,379)	1,678
Non Cash movement on debt	134	33
(Increase)/ decrease in net debt from cash flows	(712)	1,298
(Increase) in net debt		
Net debt at 31st March 2019	(36,374)	(37,672)
Net debt at 31st March 2020	(37,086)	(36,374)

(c). Analysis of net debt

	1st April 2019	Cashflow	31st March 2020
	£'000	£'000	£'000
Cash at bank and in hand	2,050	2,533	4,584
Debt due in less than one year	(4,248)	(20,640)	(24,888)
Debt due in more than one year	(34,176)	17,394	(16,782)
Changes in debt	(38,424)	(3,246)	(41,670)
Changes in net debt	(36,374)	(713)	(37,086)



Notes to the financial statements

For the reporting period ended 31 March 2019

1. Principal Accounting Policies

Format and Basis of Accounting

The principal accounting policies of the Association are set out in the paragraphs below. These Financial Statements have been prepared under the historical cost convention as modified by the revaluation of office premises and in accordance with applicable Accounting Standards, the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 and the Accounting Requirements for Social Landlords Registered in Wales – General Determination 2015.

Turnover

Turnover represents rental and service charge income receivable (net of empty properties), amortisation of grants, income from revenue based Government grants, other grants and management fees receivable (including contributions towards running costs) from managing agents net of VAT where applicable. Commercial incomes are from design and build contracts with Cardiff Council.

Social Housing Grant/Other Grants

Social Housing Grant (SHG) is receivable from Welsh Government. The accruals model is applied on all SHG received. SHG is recognised in income over the expected useful life of the housing property structure. On disposal of an asset for which Government grant was received any unamortised grant remaining within liabilities will be recognised as revenue in the Statement of Comprehensive Income unless it is repayable. SHG is repayable under certain circumstances primarily following the sale of a property but will normally be restricted to the net proceeds of sale. However, the Association is able to recycle the grant over an unspecified period although this will be periodically reviewed by Welsh Government. SHG is secondary in respect of loans by agreement with the Welsh Government.

Included in Government Grants under construction is a Housing Finance Grant (HFG). This is a grant paid by the Welsh Government towards the cost of housing assets. The grant will be paid over a period of 30 years but delivery of the housing will take place in the first few years of the 30 year plan. The primary purpose of HFG is to subsidise the capital and interest cost for the provision of affordable housing. Upon confirmation of the HFG the net present value of the grant receivable is shown as a capital grant in a similar manner to Social Housing Grant.



Notes to the financial statements

For the reporting period ended 31 March 2019

A deferred debtor for the value of the HFG is shown under assets. When the grant is received the capital element is allocated against the debtor and the remainder credited to finance costs in the statement of comprehensive income.

If a grant is received specifically to replace a component, then it will be recognised in income over the expected useful life of the component.

Other grants shown in the Statement of Financial Position include grant monies received from CADW for the refurbishment of Old Ty Bronna House, a Grade 2* listed building owned by the Association and run in partnership with Church Army, together with recycled capital grant received upon the sale of homes.

Government grants which satisfy the criteria under the performance model are taken to income.

Housing Properties

Properties are shown at cost less depreciation. The cost of properties represents the cost of acquiring land and buildings, development costs and those costs relating to administration within the Investment Department of the Association. Development administration costs are capitalised only to the extent that they are directly attributable to bringing the property into working condition for its intended use. Such costs represent specific development costs together with the incremental cost to the Association that would have been avoided if the property had not been constructed or acquired. Interest on loans raised to finance developments are capitalised up to two months after the last day of the month in which practical completion occurred. All items of property plant and equipment shall be measured, after initial recognition, using the cost model. Component accounting was introduced in 2014 and resulted in the following;

- Housing properties are split into 14 components all with varying lifecycles as detailed below
- The Land component is not depreciated, all other components are depreciated on a monthly basis depending on the lifecycles (detailed below)
- Replacement components are identified separately and allocated to specific housing properties
- Where a net book value exists on a replaced component, the value is written off to the statement of comprehensive income.
- Lifecycles Components

Land not depreciated

Structure

Rehabilitated Properties	100 years	Newbuild Properties	150 years
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Depreciation on structure is calculated on cost



Notes to the financial statements

For the reporting period ended 31 March 2020

Components are depreciated on the following basis:

Roof	150 years	Solar PV	25 years
Electrical Consumer unit	30 years	Bathrooms	28 years
Electrical Wiring	30 years	Kitchens	19 years
Windows	30 years	Heating	18 years
Doors	26 years	External buildings - sheds	15 years
External works	26 years		

Home Farm

In 2019, 47 units that were originally built as a co-operative scheme, were brought back under management of Cadwyn and the co-operative was disbanded. The properties are managed as part of general stock.

Impairment

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

Other fixed assets

Other (non-housing) tangible fixed assets are stated at cost less accumulated depreciation. Depreciation has been provided to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used are:-

- **Other Property Assets** - Depreciated at 2% per annum on a straight line basis.
- **Motor Vehicles** - Depreciated over the term of expected useful life, down to the estimated net realisable value, using the reducing balance method.
- **Office/Property Furniture and Equipment** - Office furniture and equipment is depreciated at 15% per annum on a reducing balance method. Property furniture and equipment is depreciated on a reducing balance method over the anticipated useful lives of the assets. Computer Equipment is depreciated on a straight line basis over four or ten years depending on anticipated useful life.
- **Capital Plant** – Depreciated at 25% per annum on a straight line method.



Notes to the financial statements

For the reporting period ended 31 March 2020

Investments

Investments are valued at fair value through the Statement of Comprehensive Income. The only exception to this is where the increase is immaterial in this case, we would not adjust the value in the financial statements. Formal valuations are carried out at each reporting date by an independent valuer.

Cash and Bank

The Association has a treasury policy which is concerned with the effective control of the risks associated with the management of its cash flows. The Association has a mixed loan portfolio, and this will include tools available to maximise interest received and reduce interest payable. Therefore, the Association has entered into a revolving credit facility with Barclays Bank and this is presented in the financial statements in accordance with FRS 102.

We have undertaken a treasury review in the year and plan to implement the recommendations in the forthcoming year.

Financial Instruments

When recording financial Instruments, the provisions of both Section 11 and 12 of FRS 102 have been applied in full. Private finance costs have been amortised over the term of the loan using the effective interest method. For variable rate loans the liability has been adjusted to reflect changes in market rates of interest which is recognised in the Statement of Comprehensive Income as an interest adjustment.

Interest

Interest is accrued for the period to which it relates. Interest payable on material development cash flows that are funded by the Association are capitalised to the cost of that development at the cost of available funding for the period

Reserves

The Association's Revenue (or general) Reserve has built up over several years from annual surpluses generated from its core business.

The Designated Reserve will be utilised to fund repairs (if so required) to those properties currently leased under the Calon Adref project, prior to handover back to the landlords (after three years) and properties leased for Temporary Accommodation.



Notes to the financial statements

For the reporting period ended 31 March 2020

Pension Costs

The Association participates in the Social Housing Pension Scheme (SHPS) a multi-employer defined benefit scheme and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees of the scheme. The Scheme is funded and is contracted out of the state scheme.

Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the “SHPS House Policies and Rules Employer Guide”

Historically, TPT has not been able to provide sufficient information for Cadwyn’s share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP paragraphs 15.9 to 15.12, we have accounted for SHPS as a defined contribution scheme and recognised a liability for the present value of the social landlord’s deficit funding agreement. 2019 was the first year that sufficient information was available to account for the scheme as defined benefit. We therefore changed our accounting policy.

The result of the change in accounting policy is that the difference between the deficit funding agreement Cadwyn currently recognise for SHPS, and the net DB deficit, has been recognised in other comprehensive income. This adjustment has been applied from 1 April 2018.

Apportionment of Employee and Administration Costs

Costs are attributable to activities where they can be identified and are apportioned to the relevant sections of the Statement of Comprehensive Income where such an attribution is not possible. This apportionment is generally made in relation to the full time equivalent numbers of staff within each area.

Holiday pay/flexible working

Flexible working pay is accrued at each reporting date. The holiday year was changed in line with the accounting year therefore Holiday pay is no longer accrued for at the year end.

Commercial Income and Costs

During 2019 we entered into design and build contracts with Cardiff Council. We have recognised all income and costs to date in relation to the contracts in the SOCI during the year.



Notes to the financial statements

For the reporting period ended 31 March 2020

Hostels

Nightingale House and Hafan are directly managed family hostels. The rental income and grant monies receivable have been included within the supported housing column in note 3.

Other Hostels are managed by agencies. Social Housing Grants and other revenue grants are claimed by the Association as owner of the hostel premises. The grants are included in the Statement of Comprehensive Income and Statement of Financial Position of the Association. The treatment of other income and expenditure in respect of hostels depends upon whether the Association carries the financial risk. Where the Agency carries the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Association. Other income and expenditure relating to the hostels (within this category) is excluded. (See note 3)

Leasing Schemes – Calon Adref / CanDo Lettings / Temporary Accommodation

These leasing schemes involve the Association working in partnership with Cardiff County Council and private and other social landlords. The Calon Adref and Temporary Accommodation scheme leases family accommodation from private and other social landlords. The CanDo Lettings scheme aims to get homeless people rehoused in the Private Rented Sector (PRS), speeding up the move-on from hostels and reducing the blocking up of hostel bed spaces. All costs incurred in bringing the scheme on-line have been expended to the Statement of Comprehensive Income.

Grants from other agencies

During 2019 Cadwyn received grants from the Big Lottery and Comic Relief for the NuLife project.

Money received is set against appropriate expenditure with any balance of money received held within “Other creditors”. Both grants were fully spent at the end of 2019.

NuLife

Nu Life is a recycle reuse project which is aimed at reducing furniture poverty. The scheme was originally set up and funded by Big Lottery and Comic Relief grants. The scheme is now funded by Cadwyn and therefore all transactions, including brought forward balances have been included in the financial statements for the year ended 31 March 2020.



Notes to the financial statements

For the reporting period ended 31 March 2020

Taxable Activities

The Association benefits from the taxable Feed in Tariff energy from over 170 solar photovoltaic installations which is sold to the National Grid.

Operating leases

The Association has various operating leases. The costs are charged to the Statement of Comprehensive Income and a note has been included to show the Association's liability at the reporting date.

VAT

The majority of the Association's business is exempt from VAT and the partial exemption method is applied to recover amounts where applicable. Therefore the financial statement amounts are generally shown gross with VAT costs incurred however any taxable income and associated costs will be shown net.

The Association has agreed a special method of VAT recovery with HMRC in preparation for the work that the Subsidiary company will be undertaking.

Going Concern

The Association continues to adopt the going concern basis in preparing its financial statements.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.



Notes to the financial statements

For the reporting period ended 31 March 2020

Significant management judgements

The following are management judgements in applying the accounting policies of the Association that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Association has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Specifically this includes whether there is an impairment indicator for a cash-generating unit. For these purposes a cash-generating unit is defined as a property scheme.

Defined benefit pension scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Estimation uncertainty

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Depreciation

Tangible fixed assets, other than investment properties, are depreciated over their useful lives based on various factors. The actual lives of the assets are re-assessed on a periodic basis and may vary depending on the standard of the asset. For housing property assets, the assets are broken down into components based on management's assessment of the properties and the specific costs incurred in replacing these components. Individual useful economic lives are assigned to these components.



Notes to the financial statements

For the reporting period ended 31 March 2020

2. Turnover: operating surplus and surplus before taxation by class of business

	Turnover	Operating Costs	Operating Surplus 2019
	£'000	£'000	£'000
Social Housing			
Housing accommodation - Fully rented	8,311	(6,080)	2,231
Supported Housing	867	(889)	(22)
	9,178	(6,969)	2,209
Non Social Housing Activities			
Leasing Scheme Properties	3,137	(3,205)	(68)
Other & Commercial	1,584	(1,386)	198
Total Income from Social Housing Lettings	13,899	(11,560)	2,339
Operating surplus for the year 31st March 2019			2,339

	Turnover	Operating Costs	Operating Surplus 2020
	£'000	£'000	£'000
Social Housing			
Housing accommodation - Fully rented	8,702	(5,881)	2,821
Supported Housing	1,018	(1,089)	(71)
	9,721	(6,855)	2,750
Non Social Housing Activities			
Leasing Scheme Properties	3,275	(3,564)	(289)
Other & Commercial	4,214	(3,975)	239
Total Income from Social Housing Lettings	17,210	(14,510)	2,701
Operating surplus for the year 31st March 2020			2,701



Notes to the financial statements

For the reporting period ended 31 March 2020

3. Turnover from lettings

	General Needs and Sheltered Housing	Supported Housing	Leasing Scheme	Other	Total 2020	Total 2019
	£'000	£'000	£'000	£'000	£'000	£'000
INCOME						
Rents receivable	7,249	509	2,236	872	10,868	9,694
Service charges Income	540	38	978	15	1,570	1,329
Income for Support Services		471			471	471
Amortised Government Grants	376				376	359
Other Income	537		62	94	693	557
Commercial Income				3,233	3,233	1,489
Turnover from Social Housing Lettings	8,702	1,018	3,275	4,214	17,210	13,899
COST						
Management Costs	1,267	1,052	2,681	761	5,760	4,910
Service Charge Costs	475				475	318
Routine Maintenance	1,405	24	779	1	2,209	2,281
Major Repairs expenditure	765				765	850
Bad Debts	213	13	105	15	345	94
Depreciation of housing properties	1,695				1,695	1,626
Other Costs	62			129	190	144
Commercial Spend				3,070	3,070	1,339
Operating Costs on social housing activities	5,881	1,089	3,564	3,975	14,510	11,560
Operating surplus / (deficit) on social housing lettings	2,821	(71)	(289)	239	2,701	2,339
Rent Loss Due to Voids (memorandum note)					230	213



Notes to the financial statements

For the reporting period ended 31 March 2020

4. Board Members and Executive Management Team

No emoluments were paid to the Board Members during the year (2019: £nil). Total Expenses reimbursed to the Board Members for the year amounted to £248 (2019: £836)

The emoluments paid to the highest paid director excluding pension contributions were £116k (2019: £88k). In comparison to the lowest paid employee this represents a ratio of 5:3.1

Aggregate emoluments payable to key management personnel in the year:-

	Basic salary (Gross & ER's NIC)	Benefits in kind	Pension contributions	2020 Total	2019 Total
Aggregate emoluments	397,802	0	37,636	435,439	366,502

During 2019 the Chief Executive retired and the position was not filled until March 2019 resulting in a lower remuneration cost for the year.

Key Management personnel whose remuneration, excluding pension contributions, were in the following ranges:-

	2020 No.	2019 No.
£Nil	-	-
£1-£50,000	5	6
£50,001 - £60,000	4	2
£60,001 - £70,000	1	1
£70,001 - £80,000	-	-
£80,001 - £90,000	2	4
£90,001 - £100,000	-	-
£100,001 - £110,000	-	-
£110,001 - £120,000	2	-

Pension costs are shown as contributions paid on the senior executives 'behalf. The Chief Executive is a member of the Social Housing Pension Scheme on the same basis as other members of the Association. Pension contributions made to the Social Housing Pension Scheme on behalf of the Chief Executive were calculated on the same basis as other eligible pension scheme members. No enhanced or special terms are applied. Total expenses reimbursed to the senior executives for the year amounted to £2,107 (2019: £2,931).



Notes to the financial statements

For the reporting period ended 31 March 2020

5. Employees

	2020	2019
	No.	No.
The average number of full time equivalents (including executives) employed during the year was:	110	106
	2020	2019
	£'000	£'000
Staff costs		
Wages and salaries	2,874	2,854
Social security costs	266	266
Pension costs (note 20)	374	486
	<u>3,513</u>	<u>3,605</u>

6. Operating Surplus

	2020	2019
	£'000	£'000
The operating surplus is stated after charging:-		
Depreciation	1,695	1,626
Auditors' remuneration in their capacity as auditors	15	15
Auditors' remuneration in respect of other services	2	
Losses from bad debts for service charges and rents receivable	222	94
	<u>2,534</u>	<u>1,740</u>



Notes to the financial statements

For the reporting period ended 31 March 2020

7. Gain/(Loss) on disposal of property, plant and equipment

	2020	2019
	£'000	£'000
Sales Proceeds	257	386
Cost	114	(394)
Accumulated Depreciation	38	39
Gain/(loss) on disposal	181	31

During the year we disposed of one property resulting in a profit on disposal.

8. Finance Income

	2020	2019
	£'000	£'000
Interest receivable	3	5

As part of one of our loan agreements we are required to pay 6 months of interest in advance. The movement represents the increase in interest in advance in the financial year.



Notes to the financial statements

For the reporting period ended 31 March 2020

9. Finance Costs

	2020	2019
	£'000	£'000
Interest on loans repayable in instalments within five years	900	335
Interest on loans repayable in instalments wholly or partly in more than five years	627	1,189
Capitalised Interest	(54)	(99)
Imputed Interest from effective interest rate	135	35
Finance charge on re-measurement of pension liability		
Remeasurements - impact of any change in assumptions		
Net Interest expense (pension)	68	(63)
HFG finance cost contribution	(52)	(55)
	1,624	1,342

Imputed Interest from effective interest rates relates to loan acquisition costs (e.g. commitment fees). Previously these were capitalised, now they are set against the available loan balance (creditor) and amortised over the minimum term of the associated financial instrument, using the effective interest method.

Finance charge on re-measurement of pension liability reflects the Associations liability in respect of obligations to make future payments into the scheme in respect of the scheme trustees recovery plans. This now appears as a liability, representing the net present value of those future payment obligations, on the Statement of Financial Position.

During 2018/19 there was a change in accounting policy for the Social Housing Pension Scheme. We now account for the scheme under defined benefit accounting reporting standards. This has resulted in a net interest expense.

During the year we capitalised £54k (2019: £99k) of interest based on 5% of total spend less SHG received. The only exception to this is the Wharf which was at 2.5%.



Notes to the financial statements

For the reporting period ended 31 March 2020

10a. Property, Plant and Equipment

	Completed	Under Construction	Physical adaptation work	Total
Cost	£'000	£'000	£'000	£'000
At 31st March 2019	105,727	6,394	1,307	113,428
Schemes completed in year				-
Additions	1,165	6,154	169	7,488
Disposals	(412)	(49)		(461)
Transferred to Work In progress				
At 31st March 2020	106,481	12,499	1,476	120,455
Depreciation				
At 31st March 2019	20,673	-	-	20,673
Charge for the year	1,600	-	-	1,600
Eliminated on disposal	(299)	-	-	(299)
Transferred to Work In progress				
At 31st March 2020	21,974	-	-	21,974
Net book value				
At 31st March 2020	84,507	12,499	1,476	98,482
At 31st March 2019	85,054	6,394	1,307	92,755

Development administration and overhead costs amounting to £432,036 (2019: £308,523) have been capitalised and included in the above.



Notes to the financial statements

For the reporting period ended 31 March 2020

10a. Property, Plant and Equipment (continued)

The following adjustments were made in relation to the introduction of component accounting:

	2020	2019
	£'000	£'000
Written off to the Income and Expenditure account	98	144
Capitalised components included in additions	1,114	1,092
	2020	2019
	£'000	£'000
The total net book value of housing properties comprises: -		
Freehold land and buildings	98,126	92,399
Long leasehold land and buildings	199	199
Short leasehold land and buildings	157	157
	<u>98,482</u>	<u>92,755</u>



Notes to the financial statements
For the reporting period ended 31 March 2020

10b. Property, Plant and Equipment (continued)

	Other Property Assets	Motor Vehicles	Office furniture and equipmen t	Property furniture and equipmen t	Capita l Plant	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1st April 2019	901	374	1,878	1,027	60	4,240
Additions	-	48	249	70	4	371
Disposals	-	(29)	(35)	(3)	(40)	(107)
At 31st March 2020	901	393	2,092	1,094	25	4,505
Depreciation						
At 1st April 2019	413	265	1,495	593	21	2,786
Charge for the year	34	33	102	40	5	213
Eliminated on disposal	-	(26)	-	(2)	(10)	(37)
At 31st March 2020	447	272	1,596	631	16	2,962
Net book value						
At 31st March 2020	455	121	495	463	9	1,543
At 31st March 2019	488	109	382	434	40	1,454



Notes to the financial statements

For the reporting period ended 31 March 2020

11. Investments

	2020 Total	2019 Total
Value brought forward 1st April 2019	2,290	2,290
Additions		-
Disposals		-
Fair value adjustments	(70)	-
Value carried forward 31st March 2020	2,220	2,290

Formal valuations have been carried out, by independent qualified valuers Bruton Knowles, for all the commercial units held at the reporting date. The valuers valued the commercial units at £2.2m which is a decrease in the current value. This has been adjusted for in the financial statements.

Market activity is being impacted in many sectors. Whilst the impact of Covid 19 and uncertainty regarding the Brexit transition has been considered within the valuation the full impact is still unknown.

12. Stock

	2020 Total	2019 Total
Properties for sale	52	128
WIP	-	344
	52	472

At the yearend we have 1 property for sale. This was transferred from fixed asset to stock and has been included at its net book value.

WIP represents work done on properties for resale as part of a contract with Cardiff Council. All costs at the year end had been invoiced resulting in no WIP.



Notes to the financial statements

For the reporting period ended 31 March 2019

12a. Trade Receivables – amounts falling due within one year

	2020 £000's	2019 £'000
Arrears of rent and service charges	316	413
Less: Provision for bad and doubtful debts	(220)	(81)
	96	332
Capital trade receivables	-	146
Other trade receivables and prepayments	1,371	1,849
Less: Provision for bad and doubtful debts	(115)	-
	1,352	2,327

Included within Arrears of rent and service charges are arrears of £85k (2019: £81k) on payment plans. No interest is charged on the payment plans and all debts are due within one year from the reporting date.

12b. Trade Receivables – amounts falling due after more than one year

	2020 £'000	2019 £'000
Housing finance grant	978	1,002
Other trade receivable	-	-
Interest in advance	267	265
	1,245	1,267



Notes to the financial statements

For the reporting period ended 31 March 2020

13. Cash at bank and in hand

The Association currently has an £21m revolving credit facility with its bankers. The outstanding amount available for drawing without prior notice is £8m (2019: 10.6m) which is in addition to the £500K overdraft facility that we have arranged with our bank. As stated in the accounting policies use of this facility allows the Association to maintain minimum cash balances and therefore maximize savings on interest payable.

We have undertaken a treasury review during the year, and we are currently implementing the recommendations.

14. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Creditors		
Loan interest	62	99
Other taxation and social security	74	332
Rent and service charges paid in advance	306	249
Trade Creditors	486	498
Maintenance accruals	226	141
Accruals	544	200
Housing Loans	24,888	4,248
Other Creditors	60	46
Amounts owed in respect of housing properties under construction	517	1,504
Recycled Capital Grant	153	78
SHG in advance	3,131	275
	30,448	7,671
Government Grant Creditor	360	360

Included within Amounts owed in respect of housing properties 2019 is income in advance on the container project with Cardiff Council. This was all fully spent at the end of the financial year

Included within Housing Loans are the Housing loans for land. In accordance with the terms of the loan some has been repaid in the period with the balance repayable within one year £4.792m (2019: £2,847m).



Notes to the financial statements

For the reporting period ended 31 March 2020

14. Creditors: amounts falling due within one year(continued)

At the year end the financial statements are showing net current liabilities of £23,574,000 (2019: £1,916,000). This is due to the intention to repay a number of loans following the completion of a new private placement facility.

15. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Housing loans	16,782	34,176

Housing loans are secured by specific charges on the association's housing properties. The interest rates are fixed at between 2.11% and 12.48% or vary with the market rate. The loans are repayable in the years 2022 to 2043. THFC loan is repayable as a bullet at maturity. Three of the loans are repayable within 2 years, of these one will need to be refinanced. Loans are repayable in instalments due as follows:-

	2020 £'000	2019 £'000
One year or less	24,888	4,248
Due between one and two years	6,231	6,469
Due between two and five years	1,940	4,045
Due in five years or more	9,411	23,662
	<u>41,670</u>	<u>38,424</u>

Under FRS102 acquisition costs are set against the available loan balance (creditor) and amortised over the minimum term of the associated financial instrument, using the effective interest method. At the end of the year there were £173,739 (2019: £308,888) of fees still to amortise.



Notes to the financial statements

For the reporting period ended 31 March 2020

The table below shows the effect on our most limiting covenants following the transition to FRS102:

	2019	Movement	2019
	Previous GAAP		Current FRS
	£000's	£000's	£000's
<u>Gearing</u>			
Borrowing	38,733	309	38,424
Share capital & reserves	7,984	(1,722)	6,262
SHG and other grants	61,209	(1,900)	59,310
Tangible net worth	69,193	(3,622)	65,571
<65%	56%		59%
	2020	Movement	2020
	Previous GAAP		Current FRS
	£000's	£000's	£000's
<u>Gearing</u>			
Borrowing	42,643	174	41,670
Share capital & reserves	8,945	(194)	8,751
SHG and other grants	64,591	(9,485)	55,106
Tangible net worth	73,536	(9,679)	63,857
<65%	58%		



Notes to the financial statements

For the reporting period ended 31 March 2020

15a. Amortised Government Grants

	Completed	Under construction	Total
Government Grants received:			
Brought forward 1st April 2019	59,497	1,921	61,418
Received in the year	90	3,873	3,963
Transferred (to)/from grant in advance		(2,938)	(2,938)
Transferred (to)/from Recycled grant	(75)		(75)
Carried forward 31st March 2020	59,512	2,856	62,368
Amortisation			
Brought forward 1st April 2019	9,854	-	9,854
Amortised in the year	372		372
Transferred to Recycled grant	(25)		(25)
Carried forward 31st March 2020	10,200	-	10,200
Unamortised grants at end of the year			
As at 31st March 2020	49,312	2,856	52,168
As at 31st March 2019	49,643	1,921	51,564
To be amortised as follows:			
Less than one year	360		360
More than one year	48,952	2,856	51,808
	49,312	2,856	52,168

Recycled Grant

	2020 Total	2019 Total
Value brought forward 1st April 2019	78	78
Additions	75	-
Disposals	-	-
Value carried forward 31st March 2020	153	78

The recycled grant is made up from the SHG on disposed properties. This will be used on another development following approval from Welsh Government.



Notes to the financial statements

For the reporting period ended 31 March 2020

16. Called up share capital

	2020	2019
	£	£
Allotted, issued, and fully paid		
At beginning of year	41	47
Shares issued during the year	-	2
Shares cancelled during the year	-	8
At end of year	41	41

The shareholders have no equity interest in the Association and have no right to dividends or distributions on winding up. Shares cancelled or redeemed are written back to reserves.

17. Capital Commitments

	2020	2019
	£'000	£'000
Capital expenditure that has been contracted for; but has not been provided for in the financial statements	14,524	642
Capital expenditure that has been authorised by the Board but has not yet been contracted for	27,525	23,035

Capital commitments are to be funded primarily with private finance raised with some Social Housing grant anticipated.

The funding for capital commitments will be a mix of grants and loan finance.



Notes to the financial statements

For the reporting period ended 31 March 2020

18. Obligations under Leases

Operating lease agreements with Cadwyn as the Lessee

Cadwyn has the following annual commitments under operating leases:

	2020			2019		
	Motor Vehicles	Office Equipment	Land & Buildings	Motor Vehicles	Office Equipment	Land & Buildings
	£000's	£000's	£000's	£000's	£000's	£000's
Within 1 Year	10	8	1,162	15	8	855
In 2 to 5 years	26	-	53	7	15	40
Over 5 years	-	-	281	-	-	309
	<u>37</u>	<u>8</u>	<u>1,496</u>	<u>23</u>	<u>23</u>	<u>1,203</u>

In the year the following lease payments were recognised as an expense in the statement of comprehensive income:

	2020	2019
	£000's	£000's
Pool Cars	37	23
Office Equipment	8	23
Property	1,496	1,203
	<u>1,540</u>	<u>1,249</u>



Notes to the financial statements

For the reporting period ended 31 March 2020

Operating lease agreement with Cadwyn as Lessor

Cadwyn has the following annual receipts under operating leases

	2020 Land & Buildings	2019 Land & Buildings
Within 1 year	161	180
In 2 to 5 years	421	507
Over 5 years	490	704
	<hr/> 1,072	<hr/> 1,392



Notes to the financial statements

For the reporting period ended 31 March 2020

19. Pension Scheme

Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is 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.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting years-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 20 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.



Notes to the financial statements

For the reporting period ended 31 March 2020

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	Period Ending 31 March 2020 £'000	Period Ending 31 March 2019 £'000
Fair value of plan assets	8,622	8,049
Present value of defined benefit obligation	9,952	10,991
Surplus (deficit) in plan	(1,330)	(2,942)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(1,330)	(2,942)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(1,330)	(2,942)

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period from 31 March 2019 to 31 March 2020 £'000
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-



Notes to the financial statements

For the reporting period ended 31 March 2020

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period Ending 31 March 2020 £'000
Defined benefit obligation at start of period	10,991
Current service cost	272
Expenses	11
Interest expense	260
Contributions by plan participants	87
Actuarial losses (gains) due to scheme experience	164
Actuarial losses (gains) due to changes in demographic assumptions	(95)
Actuarial losses (gains) due to changes in financial assumptions	(1,453)
Benefits paid and expenses	(285)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	9,952



Notes to the financial statements

For the reporting period ended 31 March 2020

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

	Period from 31 March 2019 to 31 March 2020 £000s
Fair value of plan assets at start of period	8,049
Interest income	192
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	138
Contributions by the employer	441
Contributions by plan participants	87
Benefits paid and expenses	(285)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	8,622

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2019 to 31 March 2020 was £330,000.



Notes to the financial statements

For the reporting period ended 31 March 2020

Defined benefit costs recognized in Statement of Comprehensive Income (SOCl)

	Period from 31 March 2019 to 31 March 2020 (£000s)
Current service cost	272
Expenses	11
Net interest expense	68
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	351

Defined benefit costs recognised in Other Comprehensive Income

	Period from 31 March 2019 to 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	138
Experience gains and losses arising on the plan liabilities - gain (loss)	(164)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	95
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,453
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	1,522
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	1,522



Notes to the financial statements

For the reporting period ended 31 March 2020

Assets

	Period Ending 31 March 2020 £'000	Period Ending 31 March 2019 £'000
Global Equity	1,261	1,355
Absolute Return	449	697
Alternative Risk Premia	603	464
Corporate Bond Fund	492	376
Credit Relative Value	236	147
Distressed Opportunities	166	146
Emerging Markets Debt	261	278
Fund of Hedge Funds	5	36
Global Equity		1355
Infrastructure	642	422
Insurance-Linked Securities	265	231
Liability Driven Investment	2,861	2,944
Long Lease Property	149	118
Liquid Credit	4	-
Net Current Assets	37	15
Over 15 Year Gilts	-	-
Private Debt	174	108
Opportunistic liquid credit	209	
Property	190	181
Risk Sharing	291	243
Secured Income	327	288
Total assets	8,622	8,049

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.



Notes to the financial statements

For the reporting period ended 31 March 2020

Key Assumptions

	Period Ending 31 March 2020 £'000	Period Ending 31 March 2019 £'000
Discount Rate	2.35	2.35
Inflation (RPI)	2.55	3.25
Inflation (CPI)	1.55	2.25
Salary Growth	2.55	3.25
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5



Notes to the financial statements

For the reporting period ended 31 March 2020

Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is 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 scheme is 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.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum	payable monthly and increasing by 3% each on 1st April)
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Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustees has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2016 to 30 September 2025	£12,945,440 per annum	payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028	£54,560 per annum	payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.



Notes to the financial statements

For the reporting period ended 31 March 2020

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	Period Ending 31 March 2020 £s	Period Ending 31 March 2019 £s	Period Ending 31 March 2018 £s
Present value of provision	879	1,067	1,777

Reconciliation of opening and closing provision

	Period Ending 31 March 2020 £'s	Period Ending 31 March 2019 £'s
Provision at the start of period	1,067	1,777
Unwinding of the discount factor (interest expense)	13	28
Deficit contribution paid	(177)	(229)
Remeasurements - impact of any change in assumptions	(24)	10
Remeasurements - amendments to the contribution schedule	-	(519)
Provision at end of period	879	1,067



Notes to the financial statements

For the reporting period ended 31 March 2020

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2020 £'s	Period Ending 31 March 2019 £'s
Interest expense	13	28
Remeasurements – impact of any change in assumptions	(24)	(10)
Remeasurements – amendments to the contribution schedule	-	(519)
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

	31 March 2020 £'s	31 March 2019 £'s	31 March 2018 £'s
Rate of discount	2.53	1.39	1.71

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions



Notes to the financial statements

For the reporting period ended 31 March 2020

Deficit Contributions Schedule

Provision at start of period	Period Ending 31 March 2020 £s	Period Ending 31 March 2019 £s	Period Ending 31 March 2018 £s
Year 1	182	177	229
Year 2	188	182	236
Year 3	193	188	243
Year 4	199	193	250
Year 5	171	199	258
Year 6		171	265
Year 7			273
Year 8			141

CARE Pensions

A Career average related pension (CARE) has been offered through the SHPS scheme since April 2010. Cadwyn currently has 2 CARE scheme CARE 60th and CARE 80th. Cadwyn pays contributions at the rate of 6.68% and 9.20% of earnings and members pay contributions at the rate of 10.02% and 12.9% respectively. As at the date of Statement of Financial Position there were 36 active members of the Scheme employed by Cadwyn Housing Association. The annual pensionable payroll in respect of these members was £1,173,875. Cadwyn Housing Association continues to offer membership of the CARE Scheme to all its employees.

Defined Contribution

A defined contribution (DC) section of the SHPS Scheme has been available since September 2010. Cadwyn pays contributions at the rate of 6% of earnings and members pay contributions at the rate of 4%.

As at the date of Statement of Financial Position there were 53 active members of the Scheme employed by Cadwyn Housing Association. The annual pensionable payroll in respect of these members was £1,263,710.

Cadwyn Housing Association continues to offer membership of the DC Scheme to all its employees.



Notes to the financial statements

For the reporting period ended 31 March 2020

20. Number of units in Social Housing management

The number of units of housing accommodation under development and in management at 31st March 2020:

	2020	2019	Increase/ (decrease) in units
<u>Owned by Cadwyn</u>			
Cadwyn Properties - units	1,362	1,363	(1)
Hostel Accommodation - bedspaces	52	52	-
Substance Mis-use - bedspaces	6	6	-
Hostel Family - bedspaces	26	26	-
	1,446	1,447	(1)
<u>Managed by Cadwyn</u>			
CanDo Lettings	95	111	(16)
Four Walls	18	93	(75)
Calon Adref	1	1	-
Temporary Accommodation	328	330	(2)
The Mill	127	69	58
	569	604	(35)
<u>Units in Development</u>			
Cadwyn Properties	6	-	6
	6	-	6
Total Units	2,021	2,051	(30)

The Association's schemes have been developed primarily within the Inner City with the exception of those situated in Caerphilly. CanDo lettings works on an agency basis and the number of social properties has decreased during the year. The Calon Adref and Temporary accommodation schemes are where properties leased from private landlords are managed and let by Cadwyn. The Mill properties are leased from Tirion and Cadwyn is responsible for the management. The board made the decision to close Four Walls on 3rd April 2020. The remaining units were all transferred after the year end.



Notes to the financial statements

For the reporting period ended 31 March 2020

21. Related Parties

The Association lets accommodation to both current and former tenants who are Board Members. Currently, one tenant has been appointed to the Board. The tenancy has been let on the Association's standard terms and cannot use their position to their advantage.

22. Post Balance Sheet Events

The Board consider that there are no post Balance Sheet events worthy of disclosure.

23. Contingent Liability

Social Housing Grant (SHG) is repayable under certain circumstances primarily following the sale of a property but will normally be restricted to the net proceeds of sale. However, the Association is able to recycle the grant over an unspecified period although this will be periodically reviewed by Welsh Government. The total amount of SHG received to date is £65,306,000 (2019: £61,418,000). The total amount of SHG amortised to date is £10,200,000 (2019: £9,854,000).



Notes to the financial statements

For the reporting period ended 31 March 2020

24. Taxation

	2020 £'000	2019 £'000
Tax charge for the year	-	-

25. Group Structure

During 2018/19 Cadwyn set up a subsidiary called Igneous Limited company number 11464895. The subsidiary is 100% owned by Cadwyn with the same year end.

The subsidiary was dormant in the reporting period and therefore group accounts have not been prepared.

The company was set up to run all development projects.