Cardiff Community Housing Association
Cymdeithas Tai Cymuned Caerdydd

Annual Report 2018

and financial statements

for the year ended 31 March 2018

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Chair's Report

I am pleased to present CCHA's Annual Report and Financial Statements for the period 1 April 2017 to 31 March 2018.

I became an observer on the CCHA Board on 6th February 2018 and was elected to the Board and also became the Chair of CCHA in early June 2018.

The past year has been extremely difficult with some challenging issues to address which are very important and significant and which I will refer to later. Firstly though, I want to acknowledge some of the positive highlights of the year.

We continue to have a strong and excellent record for the building of new homes to meet housing need in Cardiff. During the year we made significant progress with our Schooner Way and Maelfa Developments.

The 32 new houses at Schooner Way were occupied in March 2018 and progress on the development of the 85 flats in our Schooner Wharf development is progressing on schedule. Approximately 60% of the flats currently sold are being purchased under Welsh Government's Help to Buy Scheme.

CCHA is leading on the regeneration of the Maelfa shopping centre in partnership with Cardiff City Council. Together with our partners in LIFT and Communities First, we have been able to provide many job and training opportunities to both tenants and other local residents as part of the regeneration project.

The new homes, services and community facilities could not be provided if CCHA was not financially strong and we did not have effective financial management. As our financial statements in this report show, our finances are robust; this gives us confidence that we can meet our future commitments.

In Autumn 2017, significant concerns were identified about the performance of our repairs service and the management of tenant safety.

Tenant satisfaction with our main repairs contractor dropped and complaints escalated as reported elsewhere in this overview.

Our response was not as quick or effective as it should have been resulting in a downgrading of our Governance by Welsh Government in a regulatory judgement issued in February 2018.

Since then, the previous and current Board members and the Executive and staff teams have worked tirelessly to address the issues identified and in particular to ensure that the safety of tenants is our top priority.

We have:

- Reviewed and ensured the integrity of all our data on safety components in tenants' homes and instigated a major programme to ensure that all such components have been serviced and checked
- Recommissioned our repairs service with a new repairs contractor beginning work in July 2018
- Commissioned a review of our Governance
- Revisited and improved our health and safety policies and restructured the maintenance and safety compliance teams
- Reviewed our performance management arrangements to ensure that the Board get early warning of performance concerns.

During the early part of 2018-19 we will be:

- Implementing an ambitious programme to improve our Governance and leadership within CCHA

- Reviewing our tenant and leaseholder engagement to improve our accountability to tenants and ensure that the voice of tenants is heard more effectively at Board and Executive levels

- Completing the transition to a new repairs contractor with an expectation of improved performance of our repairs service

- Continuing to strengthen our approach to the health and safety of our tenants and ensuring it remains our top priority

- Reviewing and improving our Rules and Governance documentation to ensure they incorporate best practice and are fit for purpose

- Continuing to ensure that the Board has the skills and experience to lead the association.

To deliver these, we have a new Board with a broad range of skills committed to making the changes required together with a new interim Chief Executive, Stephen Cook, to lead the Executive Team.

The Board, Executive Team and I are fully committed to taking whatever steps are necessary to ensure that the homes and buildings we provide offer a high level of safety to our tenants and leaseholders and that the Governance of CCHA is of high quality.

We are confident that the steps we are taking will result in the upgrading of the Governance status of CCHA during 2018-19.

Finally, I want to thank the outgoing Chief Executive, Kevin Protheroe, who retired in May 2018 and the outgoing Board members who left the Board in May 2018 for the time and commitment they made to CCHA and our tenants.

Duncan Forbes
Chair

Background

CCHA was established in 1996 following the merger of Moors and Adamsdown housing associations. We are pleased to present CCHA's Annual Report and Financial Statements for the period 1 April 2017 to 31 March 2018.

Our Stock

CCHA currently owns and manages 2,977 homes in Cardiff and we pride ourselves on being a locally-based landlord with a commitment to providing excellent homes and services.

CCHA is a developing housing association. The creation of a strong financial environment that enables the Association to grow the number of homes it can rent is a key element of the Corporate Strategy.

In each financial year we plan to invest over £9 million in new and existing properties.

Our Vision

To provide excellent homes and services and help to create communities where people are proud to live.

We will work together to:

- Make a positive difference to people's lives and communities
- Create a great place to work
- Be the best
- Ensure our business is efficient

Our Values

- Respect - we seek to understand and engage effectively with the communities we work with and each other. We ensure people feel valued
- Integrity - we respect, value and trust our communities and each other. We act with openness and transparency
- Fairness - we believe in equality, diversity and inclusivity
- Effectiveness - we always do things with a positive and open mind. We have a 'can do' attitude
- Accountability - we are committed to making a positive difference in the community and the organisation. We take ownership, are responsible and professional
- Innovation - We believe in a culture of empowerment for the communities we work within and for ourselves

Our Outcomes

- Tenants value their homes and our services
- Tenants feel listened to and their views count
- Tenants are proud of their communities
- Our team is effective and valued
- Our business is efficient

Strategic Report

The strategic report focuses on the following areas:

- Regulatory judgement and compliance
- Tenant satisfaction
- Operational Performance
- Value for Money
- Financial Performance

In each section we have highlighted our performance during 2017/18 and the key issues to take forward in 2018/19 to improve the services to tenants and address the issues highlighted in our regulatory judgment.

Regulatory Judgment and Compliance Statement

Regulatory Judgement and Compliance Statement

Co-Regulation Status – March 2018

Governance and Services – Intervention
A significant risk (single or combination) has not been effectively managed and regulatory invention is required to effect necessary change.

Financial Viability – Standard
CCHA meets viability requirements and has the financial capacity to deal with scenarios appropriately.

Background

The Welsh Ministers have powers under Part 1 of the Housing Act 1996 to regulate Registered Social Landlords in relation to the provision of housing and matters relating to governance and financial management.

The Regulatory Judgment is published in accordance with the Regulatory Framework and the related performance standards under sections 33A and 35 of the Housing Act 1996.

The judgment is based upon CCHA's own evaluation of its compliance with the performance standards together with the regulatory intelligence gained through the on-going relationship management process between the Regulator and CCHA.

Basis of Judgment

The judgment is designed to provide CCHA, its tenants, service users and other stakeholders with an understanding of both its financial viability and how well it is performing in relation to governance and service delivery.

CCHA has given the Welsh Ministers a voluntary undertaking in accordance with section 6A of the Housing Act 1996 in response to concerns regarding governance and service delivery performance.

The concerns identified through the co-regulatory process were in relation to compliance with the following performance standards:

- Effective Board and executive management with a clear and ambitious vision for the Association
- Effective and appropriate tenant involvement and improving landlord services
- Comprehensive assessment of the business impacts of current and emerging risks
- A track record of achieving positive outcomes, responding appropriately to new challenges and performance issues
- Compliance with regulatory and statutory requirements and guidance

Action taken to address the Issues

The Board have ensured that there has been a robust response to the issues raised through the co-regulatory process.

The Board have commissioned external reviews of the:

- governance arrangements including the skills and expertise of the Board and the executive team
- Landlord health & safety arrangements including a review of policies, procedures and compliance performance
- Responsive maintenance arrangements including a review of contract delivery and performance

There have been a number of changes with both Board and the executive team to strengthen the governance arrangements and provide clear and effective leadership and direction.

We are now taking a series of other measures to strengthen our Governance including revising our Risk Management and Assurance Frameworks and reviewing and strengthening our performance management arrangements.

We will be submitting a revised evaluation of our compliance against the performance standards to the Regulator in the Autumn to demonstrate our progress.

A restructuring of the maintenance and health & safety team has been undertaken and a specific compliance team has been established to provide a more robust approach to the management of CCHA's landlord health & safety obligations.

We begin work with a new repairs contractor in July 2018 with a clear commitment to deliver an improved repairs service to tenants.

We are commissioning a review of our Tenant Engagement so that we can strengthen the voices of our tenants within our Governance framework.

The Board will continue to work closely with the Regulator on an on-going basis to ensure that all of the regulatory concerns are addressed in 2018, the voluntary undertaking can be fully discharged and CCHA achieves an improved status on its Governance judgment from the Regulator.

Tenant Satisfaction

Whilst overall tenants are satisfied with the services provided by CCHA more consultation is required with tenants over the nature of the services being provided to improve tenant trust and expectation levels.

CCHA utilises a number of different methods for gaining feedback from tenants on the services that we provide, these include:

- Surveys
- Complaints and compliments
- Focus groups
- Tenant conference

Surveying Tenants

CCHA commissioned Engage Plus Solutions to undertake a full tenant survey in September 2017. A total of 303 tenants provided a response to a series of questions aimed at gauging how well CCHA was performing.

The results reported on page 15 show a high level of satisfaction although there were two questions relating to trust and CCHA providing the services expected by tenants where there was a high level of neutral response.

In addition to undertaking a formal survey CCHA also undertakes a number of one-off and on-going surveys during the year to gauge tenant satisfaction with our work and the services that we provide.

Each month approximately 300 tenants are contacted by the Customer Services Team to follow up on the responsive maintenance work that has been undertaken. Tenants are asked for their views of several aspects of the work that has been undertaken.

The overall assessment of the responsive maintenance function is a key performance indicator for CCHA and forms part of the Balanced Scorecard that is used for performance monitoring.

Complaints and Compliments

Complaints increased by 44.9% in 2017/18 compared with the prior year, with the main increases being in maintenance and housing services.

Maintenance accounted for 74% of the complaints received and housing management 16%. During 2017/18 there were significant issues with the reactive maintenance contract. Whilst the issues were partially addressed the contractor requested release from the contract and new contractual arrangements have been put in place from July 2018.

The Housing department implemented a number of changes this year as a consequence of full automation of arrears management and Universal Credit moving to full service in February 2018.

The changes have enabled our housing department to spend more time in the community providing both arrears and tenancy support face to face as opposed to being office bound.

However whilst we see this as a very positive move forward, the stresses of welfare reform together with cuts in public services have significantly affected our tenants resulting in an increase in the number of complaints regarding Housing Officer behaviour, with some customers seeing this additional support as harassment to pay their rent. These complaints have been thoroughly scrutinised and none have been upheld.

Action arising from a complaint

Action	Number
Upheld	34
Not Upheld	76
Withdrawn/No Action	14
Remedial Action Undertaken	12
Open	27
No Response	8
Total	171

A comparison of complaints by department

Department	2016/17	2017/18
Community Support/ASB	2	4
Development	4	2
Supported Housing	2	8
Housing management/Lettings/CSA	13	28
Maintenance	95	127
Finance	2	2
Total	118	171

Where a complaint is upheld all tenants are contacted for feedback on the process. Of the 34 complaints upheld in 2017/18 64% of those who responded were satisfied with the way that the complaint had been handled.

Of the 34 complaints upheld, the key themes reported included:

- Inability to keep a repairs appointment
- Failure to keep tenant informed of progress with repairs
- Length of time taken to remedy repairs
- Poor workmanship
- Poor customer service
- Failure to communicate effectively in both housing and maintenance
- Behaviour of housing officers and customer service advisors.

Over the last year 4 cases were reported to the Ombudsman out of which none were upheld.

We try to resolve all complaints as quickly as possible and the average time taken to resolve a complaint was 29 days compared with the target timescale of 28 days (including weekends).

Focus Groups

CCHA runs a number of focus groups during the year where tenants are asked to feedback on specific subject matters.

In 2018 these groups will be expanded to consult on the next contracts being implemented including those subject to service charges under the Section 20 consultation.

Tenant Conference

In November 2017 CCHA held its second tenant conference attended by 32 tenants and 15 staff and Board members.

The purpose of the conference is to share information on new initiatives being considered by CCHA or key issues within the sector and to receive tenant feedback on how well we are doing.

In 2017 tenant engagement sessions were held on the following topics:

- Antisocial behaviour
- Universal credit
- Customer services
- Reactive repairs
- Future priority objectives
- Equality and diversity.

Summary of the Conference

- 32 tenants attended the conference
- 70% felt more valued and listened to as a CCHA tenant
- 100% of attendees would like to see the conference repeated every year
- 98% felt they had a better understanding of CCHA

Summary

Whilst overall there is a high level of satisfaction with the services and homes provided by CCHA there is a significant neutral view held by tenants with regard to:

- The services being provided are what tenants expect
- Tenants trusting CCHA

During 2018/19 CCHA will be focusing on improving the performance of:

- our responsive maintenance service
- compliance with landlord health & safety obligations
- consulting tenants and gaining their views
- dealing with complaints in a more timely way

Tenant satisfaction with the services provided by CCHA					
	Very satisfied	Fairly satisfied	Neither	Fairly dissatisfied	Very dissatisfied
The service provided by your Association	26.73%	58.75%	8.25%	4.29%	1.98%
The overall quality of your home	65.33%	28.00%	4.00%	0.00%	2.67%
Neighbourhoods as a place to live	68.87%	27.15%	2.65%	0.66%	0.66%
Rent provides value for money	16.50%	59.74%	10.89%	10.23%	1.65%
The Association is providing the service tenants and residents expect	2.97%	60.07%	31.68%	4.29%	0.33%
The way your Association deals with repairs and maintenance	63.36%	25.66%	4.89%	1.46%	4.63%
That your Association listens to tenants and residents views and acts upon them	39.85%	41.38%	4.21%	11.11%	3.45%
Tenants and Residents trust the Association	1.32%	59.08%	37.62%	0.66%	0.33%
The way your Association deals with anti-social behaviour	21.45%	52.15%	7.59%	9.24%	6.27%

Operational Performance

Our performance for 2017/18 against the Key Performance Indicators approved by the Board is set out in the table below

Key Performance Indicators

Description	2016/17	2017/18	Target
% of properties with Gas Safety Certificates as at 31st March	99.93%	99.93%	100%
Repairs fixed first time	79%	80%	85%
Repair appointments kept	93%	90%	90%
Net Rent Arrears	2.39%	2.65%	2.50%
Tenants satisfied with new homes	88%	95%	90%
Operating Surplus as a % of turnover	27%	25%	23%
Financial gearing	50%	45%	58%
Regulation - Financial Viability Judgment	Standard	Standard	Standard
Regulation – Governance and Services	Standard	Intervention	Standard

CCHA undertook 15,600 repair jobs in 2017/18 compared to 14,145 an increase of 10.3%. On average refurbished properties are re-let in 24 days compared to a target of 25 days.

Feedback from tenants both in the survey and the conference indicate that they view repairs and maintenance as their highest priority.

This is also evidenced in the complaints data which indicated that the length of time to complete a repair and the failure to keep the tenant informed were significant issues for CCHA to address going forward.

New contractual arrangements have been implemented in July 2018 with the aim of improving the overall service and increasing the number of repairs completed correctly first time. Whilst the new contract will cost more money we believe it will offer improved value for money for tenants.

It is critical that we collect income quickly and effectively. Without it, we will not have the funds to invest in both our current stock and new homes. Early intervention enables tenants to get help from either CCHA or from the various support services provided by Cardiff City Council or the voluntary sector.

We are continuing to review our housing systems as part of implementing the full roll out of Universal Credit, when the majority of tenants in receipt of the benefit will have the rent component paid directly to them rather than CCHA.

The changes to benefits under the Welfare Reform Act 2012 have now been implemented in the main with Universal Credit Full Service having been implemented at the end of February 2018.

The biggest concern for CCHA with regards to Universal Credit is the 'managed migration' of individuals on legacy benefits to Universal Credit. This is scheduled to commence in July 2019 and to complete by March 2023 and the impact on arrears and tenants is likely to be far more serious than any we have seen so far.

This change will impact on people that have claimed legacy benefits for a long period of time and whose circumstances have not changed for many years.

Following the integration of the Support and Money Advice Team in August 2017, CCHA is now able to offer tenants a one-stop shop to help meet their money advice and support needs, to provide knowledgeable and accurate advice and signposting, and to help tenants overcome the barriers which prevent them pursuing personal fulfilment and wellbeing.

This integration has noticeably increased the numbers of tenants that need money advice but who we would have previously struggled to engage. The team is also effective in identifying tenants that want to find employment or increase their employability and refer these tenants to our employment project for support to achieve this.

Balance Scorecard

A number of key performance indicators are summarised into a balanced scorecard to report on overall performance to staff.

Overall performance has been exceeded however in 2018/19 this will be modified to have more of a weighting towards landlord services as these have been identified as development areas for CCHA to improve on.

Corporate Strategy Objective	KPI	2017/18 Full Year	Target	Weighting	BS Score
Tenants value their homes and our services	Tenants are satisfied with our day to day repairs service	85%	90%	15%	14.2%
	Tenants are satisfied with our planned maintenance service	99%	90%	10%	11.0%
	New homes will be built	47	47	10%	10.0%
	Tenants are satisfied with our complaints service	64%	50%	10%	12.0%
Tenants feel listened to and their views count	Improvements are considered and outcomes reported back to tenants ("You said, we did")	23	20	5%	5.8%
Tenants are proud of their communities	Jobs created by Communities First, LIFT and CCHA	120	80	5%	6.0%
	Training opportunities created by Communities First, LIFT and CCHA	365	75	5%	6.0%
	Volunteering opportunities created by Communities First, LIFT and CCHA	78	30	5%	6.0%
Our team is effective and valued	Self-certified absence	1.7%	3.0%	10%	10.9%
	Tenants are satisfied with our customer/landlord services	79%	85%	15%	13.9%
Our business is efficient	Operating surplus	25%	23%	10%	10.8%
Corporate Balanced Scorecard				100%	106.6%

Value for Money

Overview

This statement outlines our approach to Value for Money (VFM) by focussing on what it means for our tenants, stakeholders, Board members, and staff. It sets out how we are seeking to deliver our social and charitable objectives by becoming more efficient and, where appropriate, more commercial.

We define VFM as the relationship between effectiveness, efficiency, and economy, often described as the value chain.

At its heart, VFM is about:

- Maximising the value in everything we do
- Ensuring that we make the best use of our resources
- Being efficient in allocating resources to the right place
- Being effective in generating the required outcomes

We assess VFM as higher when there is an appropriate balance between ensuring services are cost effective, and also high quality and sustainable.

Creating additional value is essential within CCHA as it creates a sound financial base whereby additional resources are available for the delivery of new homes and services to benefit our tenants and the wider achievement of our social and charitable objectives.

Value for money is at the heart of our strategic objective 'Our business is efficient'.

Any added value can be applied to:

- building new homes to help address the lack of housing supply in the areas where we operate
- improving our existing homes and raising tenant satisfaction; and
- helping to improve the life chances of our tenants and/or to the communities where they live

Our value for money strategy is designed to help us:

- understand our costs, benchmarking them internally and with our industry peers
- make sure quality is an essential element when making value for money decisions
- actively involve tenants in decisions affecting front line services
- make sure financial savings are re-invested into improving services for now and in the future
- challenge how we deliver services and get value for money
- procure goods and services more efficiently and effectively

We aim to be accountable to our tenants, partners and the Welsh Government by setting out our past performance and future aspirations.

Value for Money Indicators

	2016/17 Sector Actual	2016/17 CCHA Actual	2017/18 CCHA Actual
Operating costs for lettings per social housing unit	£3,211	£2,791	£3,033
Management costs per social housing unit	£1,350	£1,591	£1,694
Reactive repair costs per social housing unit	£1,091	£1,199	£1,239
Major repairs and component costs per social housing unit	£1,084	£418	£528
Bad debts per social housing unit	£29	£62	£16
Weighted average cost of capital	4.87%	3.13%	3.16%
Free cash flow (before draw down or repayment of loans)	£0.970 m	£2.669 m	£3.545 m
Gross arrears/social housing turnover	4.60%	4.20%	4.37%
Total rent per social housing unit	£5,314	£5,852	£5,919
Rental void loss per social housing unit	£79	£69	£84

Operating costs per social housing unit have increased by 8.7% as a result of increased expenditure on housing management and reactive repairs.

Whilst not significantly out of line with sector averages the increases in cost will put pressure on future rent increases.

There is a positive free cash inflow enabling CCHA to repay the loan instalments due.

Financial Performance

The 2017/18 financial statements are prepared under Financial Reporting Standard (FRS102)

The financial result for the year ending 31st March 2018 is a surplus of £3.982 million compared to the previous year of £3.133 million.

Turnover has increased by 1.3% from £18.320 million to £18.557 million which has been driven by the increase in rents as set out in the Welsh Government rent policy offset by a reduction in other grant income.

Operating costs have increased by 3.85% from £13.411 million to £13.928 million as a result of an increase in maintenance costs of £452,000 and housing management costs of £330,000.

The reduction in the operating surplus of £280,000 has been offset by increased sales of assets of £405,000 and a reduction in interest and financing costs of £385,000.
Total Comprehensive Income has therefore increased by £849,000 for the year ending 31 March 2018.

As at 31 March 2018 CCHA has £6 million of un-utilised funding facility that it could draw upon alongside cash and investments totalling £6.418 million. CCHA also has a bank overdraft facility of £3 million.

2017/18 Financial Statements Summary Statement of Comprehensive Income

	2017 £'000	2018 £'000	Movement £'000
Turnover	18,320	18,557	237
Operating Expenditure	(13,411)	(13,928)	(517)
Operating Surplus	4,909	4,629	(280)
Sales of Assets	104	509	405
Interest Receivable	13	45	32
Interest and financing costs	(1,996)	(1,611)	385
Surplus	3,030	3,572	542
Revaluation of Assets	103	410	307
Total Comprehensive Income	3,133	3,982	849

CCHA has loans totalling £65.182 million as at 31 March 2018. 35.44% of our borrowing is at variable rates and 65.6% is under fixed interest rates. This position was approved by the Board in February 2018 and is subject to quarterly review. The Treasury Strategy is reviewed by David Tolson Partnerships with the next review due in September 2018.

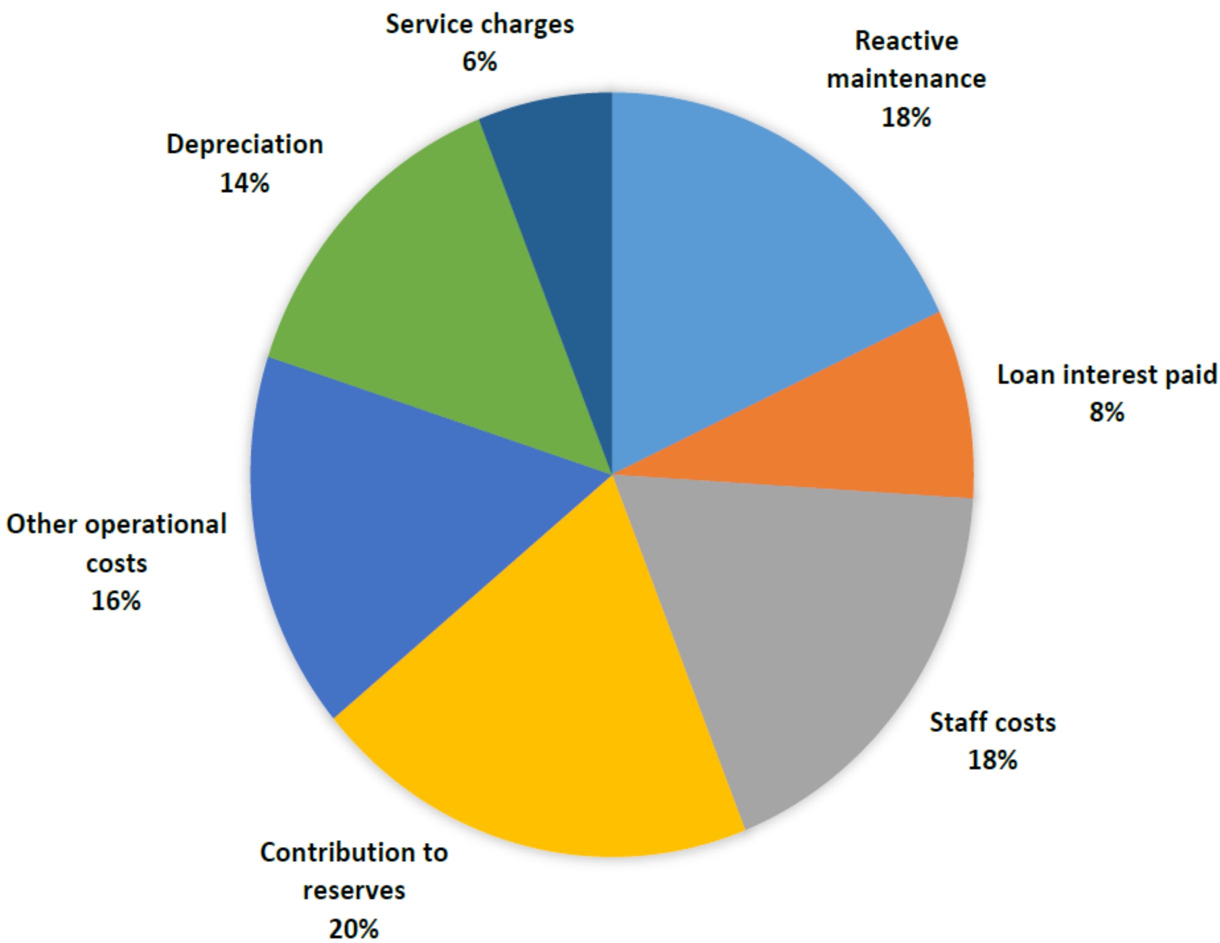
As part of our annual corporate planning process we have set both our 2018/19 budget and updated our 30 year financial forecast. CCHA is a developing association and our plan is to continue to ensure that CCHA retains a strong financial base in order to assist in meeting the housing needs of the residents of Cardiff.

The Corporate Strategy and associated 30 Year Financial Forecast is reviewed by the Housing Regulator as part of their financial viability judgment.

The financial forecast includes a number of key assumptions such as inflation and interest rates, asset management disposals and rent increases. These assumptions are reviewed and approved by the Board and sensitivity and scenario analysis is undertaken to assess their robustness to unforeseen changes.

It is pleasing to note that in March 2018 a financial viability judgment of "standard" has been issued by the Housing Regulator.

Analysis of Operating Expenditure 2017/18



Governance

CCHA is governed by the Board and managed by the Executive Team

Corporate Strategy

The corporate strategy outlines our outcomes, the challenges we face, and the specific objectives set to meet these challenges in the next twelve months. The corporate strategy operates within the business framework parameters the Board have set.

Our business framework

CCHA is a traditional housing association whose main business aims are to provide services and affordable housing for the people of Cardiff and to assist in the regeneration of the communities where we work. Whilst we do consider other business opportunities these are only undertaken with the aim of supporting the provision of additional affordable housing or regeneration.

We view CCHA as a long-term business and want to:

- ensure that tenants and leaseholders are involved in the design and evaluation of services
- maintain rents at affordable levels
- control costs and achieve Value for Money (VFM) to ensure that we have sufficient surpluses to invest in sustaining services, funding the development programme, repaying loans and reinvesting in the planned maintenance programme. We want to be clear that CCHA is an organisation that lives within its means, where borrowing is only used to build new homes
- continue to develop new homes in accordance with the capital targets set
- put in place long-term funding plans
- maintain the improvements made to our stock by the WHQS and planned maintenance programmes
- develop customer services and ensure a customer culture exists within the Association that puts the tenant at the heart of what we do
- be willing to work in partnership and collaborate with others, in particular Welsh Government and Cardiff City Council.

We understand that taking and managing planned risks are an important element of innovation. We therefore mitigate those risks by the application of an effective Risk management Framework that is overseen by both the Senior Management Team and the Board.

However, there must be evidence that demonstrates that innovative projects will make a return that supports our core housing association business.

An important element of innovation is enhancing what we already do i.e. continue to deliver our core business; but do it better and more cost-effectively.

Our Board of Management

The Board has ultimate responsibility for the governance of CCHA. Having a robust Board committed to CCHA and the highest standards of governance is essential.

To ensure that we are well governed, we subscribe to Community Housing Cymru's Code of Governance. This is supported and enhanced by our governance framework including our values and our vision statement. The code was updated in June 2018 and CCHA will be adopting this revised version during 2018.

As a result of the 2018 Regulatory Judgement the Board have appointed Central Consultancy to undertake a review of their governance arrangements to support and enhance the way in which we manage our business to deliver our stated outcomes and are best placed to meet future challenges.

The Board currently comprises of eight members. We also permit Board observers, as required, to ensure continuity of skills and succession planning. New Board members are appointed in accordance with a maximum term of office of nine years. Board members are subject to both group and individual appraisals.

The Board's central role is to direct the Association's work, to determine strategic direction, to establish control and risk management frameworks and to ensure that the Association achieves its outcomes. Ensuring that the tenant voice is heard and embedded in the work that we do is fundamental to the achievement of our objectives.

The Board meets formally 10 times per year and delegates the day-to-day management and implementation of the Association's work to the Chief Executive and the Senior Management Team.

In addition, the Board is supported by a number of committees and working groups:

- Audit Committee
- Maintenance and H&S Committee
- Staffing Committee
- Technical Group
- Personnel Working Party

Audit Committee

The Audit Committee meets a minimum of four times per year and supports the Board particularly in respect of risk control, governance and both internal and external audit.

The Committee is appointed by the Board annually and is comprised of at least four members in addition to the Chair.

The role of the Audit Committee is to review the comprehensiveness, reliability and integrity of assurances and whether they meet the Association's needs, whist working within the vision, values and agreed corporate outcomes of the organisation.

The Audit Committee receives assurance reports from a number of external sources:

- internal audit system reviews and compliance reports based on the agreed annual plan
- external auditor's management letters and reports
- compliance reports issued by WG
- other regulators such as the HSE etc.

The internal and external audit contracts were retendered in 2015 for a three year contract, with possible extension, commencing in 2016/17. The 2017/18 financial year represents the second year of these contractual arrangements. During 2018 the Audit Committee will review the effectiveness of the contracts as part of its arrangements for assessing 'fitness to serve'.

Both internal and external audit undertake their work in accordance with a plan approved annually by the Audit Committee. These plans adopt a risk based approach and are subject to amendment if higher risk areas are identified during the year.

Internal Control

The Board is responsible for ensuring that our business operates effectively and achieves its objectives. It is the Board's responsibility to have a system in place that identifies and manages risk. This includes effective internal control systems and procedures to minimise the risk of loss through fraud, corruption, errors and mismanagement.

Whilst the Board cannot delegate ultimate responsibility for the system of internal control, it has delegated responsibility to the Audit Committee which will rely on a number of forms of assurance.

To do this the Board has taken three steps:

- Identified/reviewed our business objectives, the possible opportunities and the risks and threats to achieving the objectives

- Formed and reviewed our framework for managing and identifying risk; and

- Identified how the Board will obtain assurance that the risk management policies adopted are adequate and operating effectively.

The Board have implemented an operating framework based on the following processes:

- The Audit Committee receives and reviews reports upon all aspects of internal control to ensure they are working effectively and being followed, including fraud and irregularities

- Regular reports from directors and managers, which cover operational and financial matters, to give assurance that internal controls are working effectively

- Regular monitoring and reporting of all risk related matters, including results of control of risk management procedures and strategic and operational risk maps

- The Audit Committee reviews and monitors reports from the Internal Audit to provide reasonable assurance that control procedures are in place and being followed

- The Audit Committee reviews reports from the external auditors where assurance is provided on areas such as service charges and grant funding projects which are subject to separate audit

- The Board will be re-tendering both the internal and external audit contracts during 2018.

The Board has strategies in place for preventing, detecting and the recovery of assets associated with:

- Fraud and corruption
- Bribery
- Money laundering

Risk assessments associated with these strategies are reviewed and suspected irregularities are reported to the Audit Committee at each meeting.

The Association has received the internal audit annual report which highlights that the following audits were undertaken:

- Quarterly compliance reviews
- Credit cards
- Development
- Data integrity
- Assets and liabilities register
- Governance
- Responsive repairs
- Landlord health & safety

Adequate and substantial assurance was reported on many of the systems however the report concludes that progress needs to be made in the following areas:

- Responsive repairs
- Data integrity
- Landlord health & safety
- Governance

The Landlord Health & Safety audit found a lack of assurance across key areas of landlord compliance. In particular, issues were noted with the performance reporting and governance around LLH&S, and serious failures of control around gas safety, Asbestos management, Legionella, fire safety, lift safety and electrical testing.

The Responsive Repairs audit resulted in a Limited Assurance opinion and raised a total of four fundamental priority recommendations.

The Internal Auditors have concluded that with regard to these areas, significant improvements are required to the controls framework in place at CCHA. All of the recommendations have been endorsed by the Board. Urgent action is being taken to resolve the weaknesses identified and progress is being monitored by the Audit Committee and by a specially constituted Maintenance and Health & Safety Committee.

No instances of actual or suspected fraud have been encountered during their audit work.

After the tragic events at the Grenfell Tower in London, we have continued to reassess our management of high rise complex buildings. We will review the best practice recommendations arising from the various reviews and inquiries.

The Audit Committee has reviewed the effectiveness of systems of internal control, including sources of assurance.

Having reviewed the evidence presented Board are satisfied that there are no weaknesses in our system of internal control which might lead to material losses, contingencies or uncertainties which require further disclosure in the financial statements or the external auditor's report on the financial statements.

The key areas to be addressed relate to:

- Ensuring that CCHA has experienced and suitably qualified and trained Board Members and staff who take responsibility for key processes and decisions

- Improving the system of performance management in key business areas and in particular with regard to Landlord Health & Safety

- Strengthening corporate governance arrangements and compliance with regulatory requirements

- Ensuring that new maintenance contracts are implemented effectively

- Reviewing and strengthening the Whistleblowing Policy and Procedure.

Risk Management

Managing risk is important if CCHA is to operate successfully and in a safe and effective manner.

Overview

Welsh Government expects that the Board has a thorough understanding of the risks facing the association and to be confident that those risks are being managed effectively.

Realising opportunities and managing risks

CCHA has a formal risk management strategy which is approved annually by the Board. This stipulates that the Board has ultimate responsibility for risk management.

The management team, led by the Chief Executive, has overall responsibility for risk management at the operational and day to day level. The Board has delegated its responsibility for monitoring risk management issues to the Audit Committee.

There are many challenges facing us. However, it is not the challenges that define us as an organisation, but how we respond to them. In line with our values we seek to create a culture of empowerment whereby staff maximise the opportunities that exist to improve the communities that we serve.

CCHA is cautious in its approach to risk without being unduly risk averse.

The management of risk must be an appropriate fit to the organisation; but there is a level of risk which is unacceptable for it to operate outside.

Our acceptable level of exposure to risk is set at a level which does not:

- damage the capacity of the organisation to exist into the future (i.e. does not significantly impede its financial or operational viability)
- materially damage the relationship with its tenants or the tenant/ service user experience, or
- significantly impact on the good reputation of CCHA overall

Risks must be measured and have at least one foot in what we already know we are capable of as a housing business.

We operate within our thirty-year financial forecast which is reviewed annually by the Board. The plan is robustly stress tested each year to ensure that it is resilient to unknown or unplanned external impacts.

The key strategic risks which we manage as part of delivering our Corporate Strategy are detailed below:

Landlord Health & Safety

The safety of our tenants, leaseholders and staff is paramount to our business. We have undertaken a substantial review of our systems following a review that identified weakness in the systems put in place to manage the health & safety risks of the Association.

To improve our systems and ensure that they are compliant we have commissioned our Internal Auditors to undertake a strategic review of our strategy and systems to ensure that we are managing the right risks facing the business. Following receipt of the report in April 2018 it will be a key objective for the 2018/19 Corporate Strategy for the Board to ensure effective implementation of all of the recommendations.

Welfare reform

The challenges posed by the welfare reform agenda continue to evolve. From a business perspective an increase in the non-payment or delayed payment of rent represents as a result of the continued roll-out of Universal Credit remains a key risk facing CCHA in the short to medium term.

During 2017/18 the Community and Support Services Team have automated many of their housing management processes to reduce administration time and enable housing officers to identify and provide help and support to those tenancies in potential financial distress.

Our Financial Inclusion Team aims to provide budgeting support to tenants, thereby assisting them in their ability to pay their rent.

Service Risk

The provision of effective services to tenants and leaseholders that can demonstrate value for money is critical to tenant satisfaction and the management of our properties.

Following a review CCHA has retendered it's reactive, void and planned maintenance services with effect from July 2018 with the aim of reshaping services to better meet tenant requirements.

Cyber security

There are increasing numbers of attempts to perpetrate fraud or information security breaches. Whilst we have developed good policies and procedures we are planning to invest in new measures during 2018/19 to further strengthen our systems.

Market sales

In 2015/16 CCHA acquired a development site for building a number of outright sales. After careful consideration of the risks the Board approved the commencement of the construction of Schooner Wharf during 2017 with the aim of generating additional funds to build more affordable rented housing. Completion is planned for October 2018 with resulting sales completed by June 2019.

Cash flow risk

CCHA's principal cash inflows arise from the receipt of rent, housing benefit and loan financing. The principal cash outflows arise from maintenance and development expenditure and the payment of salaries. The Board undertakes an active review of this risk to ensure that both operating and development cash flows are sufficient to ensure the smooth running of CCHA's business.

Credit risk

CCHA's principal financial assets are bank balances and cash, rent arrears, other receivables and investments.

CCHA's credit risk is primarily attributable to its rent arrears. Provisioning for potential non-payment of rent arrears is undertaken to minimise the impact of the risk of non-payment.

Liquidity risk

In order to maintain liquidity, sufficient funds are available for on-going operations. The Statement of Free Cash highlights that a total of £3.545m (2017: £2.664m) free cash has been generated before the repayment of loans. The Association has sufficient liquid funds to meet all of its known obligations.

Going concern

The Board ensures that all significant decisions are taken in accordance with CCHA's Financial Strategy which is evidenced by the thirty year financial forecast.

In 2018 the Welsh Government regulation team reviewed the Association's thirty year financial forecast and provided a positive Financial Viability Judgement on the Association's ability to meet future challenges.

The Board undertakes an annual stress testing exercise on the 30 year financial forecast against a range of scenarios. This process ensures that the financial plan is robust and there is reasonable certainty that plans and budgets can withstand unknown and unplanned financial shocks.

Overall assessment

The Audit Committee has reviewed the risk register and the risk management assurance reports that it has received.

It concludes that whilst most risks have been appropriately managed there were weaknesses in the management of maintenance, governance and Landlord Health & Safety.

The Committee is reviewing the Risk Management and Assurance Framework in the light of the health and safety issues that have arisen and a new framework will be produced in the Autumn of 2018 and approved by the Board.

An action plan has been agreed by Welsh Government to address these weaknesses and is reviewed by both Board and the Audit Committee on an ongoing basis.

The Board are confident that all of the issues identified in the review will be fully addressed during 2018/19.

Statement of Board of Management Responsibilities

The Board of Management is responsible for preparing the financial statements in accordance with applicable law, Financial Reporting Standard FRS102 and the Statement of Recommended Practice for registered social housing providers

The Co-Operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards and the Statement of Recommended Practice (Accounting by Registered Housing Associations) have been followed, subject to any material departures disclosed, and explained in the financial statements
- prepare the financial statements on a going-concern basis unless it is inappropriate to presume that the Association will continue in business for the foreseeable future

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

The Board of Management is also responsible for maintaining an adequate system of internal control for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

At the date of approval of this report the Board have confirmed that:

- as far as Board members are aware, there is no relevant audit information of which the Association’s auditors are unaware; and
- the Board members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Association’s auditor is aware of that information.

Annual General Meeting

The Annual General Meeting will be held at 6.00pm on the 4th September 2018 at the Novotel Cardiff Centre.

At this meeting, the Association's 2017/18 Annual Report will be presented for adoption.

A resolution to re-appoint Haines Watts Wales LLP as auditors to Cardiff Community Housing Association Limited for the 2018/19 financial year will be proposed at the Annual General Meeting.

Duncan Forbes
Board Chair
25th July 2018

Name		Board	Audit Committee
Ms S Bickerton	Retired 5 September 2017	4/4	1/1
Ms D Rosser		9/10	6/6
Mrs K Malekin	Resigned 30 April 2018	10/10	-
Mr P Max		10/10	6/6
Mr R Chick	Retired 6 February 2018 Continued as Board Observer	8/9	-
Mr P Miles	Resigned 1 May 2018	6/10	-
Mr N Hazelden	Resigned 12 April 2018	10/10	5/6
Ms B Gladwyn	Resigned 26 April 2018	5/10	-
Mr H Mehta	Resigned 27 April 2018	0/1	-
Mr G Kenning	Resigned 1 May 2018	8/10	4/6
Ms E Venus	Resigned 1 May 2018	7/10	-
Mr I Jones	Resigned 30 April 2018	7/10	6/6
Mrs J Beauchamp	Appointed 6 June 2018	-	-
Mr D Forbes	Appointed 6 June 2018	-	-
Mr G Worthington	Appointed 6 June 2018	-	-
Mr A Jones	Appointed 6 June 2018	-	-
Ms M Sinfield	Appointed 6 June 2018	-	-
Ms T Stirling	Appointed 6 June 2018	-	-

Board Observers

Name		Board	Audit Committee
Mr D Rai	Appointed to Board following Special General Meeting 6 June 2018	10/10	-
Mr D Forbes	Appointed 6 February 2018 Appointed to Board following Special General Meeting 6 June 2018	3/3	2/4
Mr G Worthington	Appointed 6 February 2018 Appointed to Board following Special General Meeting 6 June 2018	3/3	4/4
Mr A Jones	Appointed 4 May 2018 Appointed to Board following Special General Meeting 6 June 2018	-	-
Ms M Sinfield	Appointed 4 May 2018 Appointed to Board following Special General Meeting 6 June 2018	-	-
Ms T Stirling	Appointed 4 May 2018 Appointed to Board following Special General Meeting 6 June 2018	-	-
Mr R Chick	Retired 27 June 2018	1/1	-
Mrs J Beauchamp	Appointed to the Board following Special General Meeting 6 June 2018	10/10	-

Senior Staff

Secretary

Mr K Protheroe (responsibilities transferred 27 February 2018)

Mr P Miles (appointed 28 February 2018, resigned 1 May 2018)

Mr M Potter (appointed 6 June 2018)

Executive Officers

Chief Executive
Mr K Protheroe (retired 10 May 2018)

Interim Chief Executive
Mr S Cook (appointed 16 April 2018)

Director of Finance & ICT
Mr M Potter

Director of Customer and Community Services
Mr M Thomas (left 15 June 2018)

Development Director
Mrs C Lewis

Director of Corporate Services
Mrs L Sulley

Registered Office

Tolven Court
Dowlais Road
Cardiff
CF24 5LQ

Area Office

50 Meteor Street
Adamsdown
Cardiff
CF24 0HE

Professional Advisers

External Auditors

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

Internal Auditors

Mazars LLP
Clifton Down House
Beaufort Buildings
Clifton
Bristol
BS8 4AN

Principal Bankers

Barclays Bank plc,
1-5 St David's Way
St David's Centre
Cardiff
CF10 2DP

Legal Advisers

Towers & Hamlins
Blake Morgan
Hugh James
L G Williams & Prichard

Registered under the Co-Operative and Community Benefit Societies Act 2014 No. 21667R

Registered by the Welsh Government No. L035

Independent Auditor's Report to the Members of Cardiff Community Housing Association Limited for the year ended 31 March 2018

Opinion

We have audited the financial statements of Cardiff Community Housing Association (the 'Association ') for the year ended 31 March 2018 which comprise the Statement of comprehensive income, Statement of Financial Position, Statement of Cashflows 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 Association's affairs as at 31 March 2018 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 Act 2014, 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 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.

Matters on which we are required to report by exception

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

- the 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 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 page 31, 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 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 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.

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 Act 2014, 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.

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 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 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.

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

Statement of comprehensive income

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	2	18,557	18,320
Operating expenditure		(13,928)	(13,411)
Operating surplus		4,629	4,909
Surplus on disposal of property, plant and equipment	3	509	104
Interest receivable	5	45	13
Interest and financing costs	4	(1,611)	(1,996)
Pension deficit contributions		-	-
Surplus for the year		3,572	3,030
Unrealised surplus on revaluation of investment properties	12	410	103
Actuarial gain/(loss) in respect of pension schemes		-	-
Total comprehensive income for the year		3,982	3,133

Statement of financial position

At 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Housing properties	9	172,724	167,039
Fixed asset investments	12	15,650	7,214
Intangible fixed assets	11	154	160
Other property, plant and equipment	10	9,335	9,507
		197,863	183,920
Current assets			
Stock	13	57	-
Debtors	14	2,181	1,938
Investments	15	4,000	14,000
Cash		2,418	3,741
		8,656	19,679
Current liabilities			
Creditors: amounts falling due within one year	16	(9,783)	(13,430)
Social housing and other government grants: amounts falling due within one year	18	(1,508)	(1,446)
Net current (liabilities)/assets		(2,635)	4,803
Total assets less current liabilities		195,228	188,723
Non-current liabilities			
Creditors: amounts falling due after more than one year	17	(63,777)	(64,269)
Social housing and other government grants: amounts falling due after more than one year	18	(98,160)	(94,839)
Provisions for liabilities	19	(213)	(171)
Pension past service cost	20	(1,825)	(2,173)
Total net assets		31,253	27,271
Capital and reserves			
Share capital		-	-
Revenue reserve		31,210	27,228
Restricted reserve		43	43
Total reserves		31,253	27,271

The financial statements of Cardiff Community Housing Association Limited were approved by the Board of Management on the 25th July 2018 and signed on its behalf by:

Duncan Forbes - Chair

Stephen Cook - Interim Chief Executive

Mark Potter - Secretary

Statement of changes in reserves

For the year ended 31 March 2018

	Revenue reserve £'000	Designated Reserve £'000	Restricted reserve £'000	Total £'000
At 1 April 2017	27,228	-	43	27,271
Surplus for the year	3,572	-	-	3,572
Unrealised surplus on revaluation of housing properties	410	-	-	410
At 31 March 2018	31,210	-	43	31,253

Statement of cash flows

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities	22	6,509	5,690
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,718)	(7,071)
Purchase of investment property		(7,824)	-
Proceeds from sale of property, plant and equipment		836	-
Proceeds from sale of investment property		527	-
Grants received		2,807	9,262
Interest received		45	13
Net cash flows from investing activities		(13,327)	2,204
Cash flows from financing activities			
Interest paid		(1,611)	(1,996)
New loans		543	-
Repayments of borrowings		(3,437)	(1,828)
Withdrawal from deposits		-	-
Net cash flows from financing activities		(4,505)	(3,824)
Net increase in cash and cash equivalents		(11,323)	4,070
Cash and cash equivalents at 1 April		17,741	13,671
Cash and cash equivalents at 31 March		6,418	17,741

Statement of free cash

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities:	22	6,509	5,690
Cash flows from investing activities:			
Interest paid		(1,611)	(1,996)
Interest received		45	13
		(1,566)	(1,983)
Adjustments for existing properties:			
Component replacements		(1,479)	(1,191)
Component replacement grant received		404	359
Purchase of other replacement fixed assets		(323)	(211)
		(1,398)	(1,043)
Free cash generated before loan repayments		3,545	2,664
Repayments of borrowings		(3,437)	(1,828)
Adjustment for revolving credit		-	-
Free cash generated after loan repayments		108	836

Notes to the financial statements

Legal status

The Association is registered under the Co-Operative and Community Benefit Societies Act 2014 and is a registered social landlord. The Association has adopted charitable rules.

Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. Cardiff Community Housing Association is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

Property, plant and equipment - housing properties

Housing properties are stated at cost less depreciation less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development.
Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure -	new house	150 years
Structure -	new flat	100 years
Structure -	refurbished house	100 years
Structure -	refurbished flat	50 years
Roofs		65 years
Doors and windows		30 years
Kitchens		30 years
Bathrooms		27 years
Boilers		15 years
Boiler plant		25 years
Heating systems		15 years
Lifts		25 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Non-housing property, plant and equipment

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset, on a reducing balance for vehicles and a straight line basis for all other assets, over its expected useful life, as follows:

Freehold offices	50 years
Leasehold land and buildings	50 years
Furniture, fixtures & fittings	10 years
Telephone system	4 - 10 years
Vehicles	4 years
Computer equipment	4 - 6 years

Investment properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment.

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	3 - 6 years

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable mount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants

Where grants are received from government agencies such as the Welsh Government, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the components. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Government grants are recognised as revenue when the grant proceeds are received or receivable. Where a grant imposes specified future performance-related conditions it is recognised as revenue when the performance-related conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability. Where government grant is provided for the construction of housing properties within a specific scheme, then the performance related condition is met when the construction of the housing properties is complete.

Donation or acquisition of land or other asset at below market value

Where a donation of land and/or other assets is received or land and/or other assets are acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where a donation of land and/or other assets is received or acquisitions of land and/or other assets at below their market value from a third party that does not meet the definition of a government source the transaction is recognised as an asset in the Statement of Financial Position at fair value, taking account of any restrictions on the use of the asset and income equivalent to the difference between any amounts paid or payable for the asset and the fair value of the asset is recognised in surplus or deficit in the Statement of Comprehensive Income as a donation when future performance-related conditions are met.

Housing Finance Grant

Housing Finance Grant (HFG) is paid by the Welsh Government towards the costs of housing assets over a period of 30 years to subsidise the capital and interest costs for the provision of affordable housing. The net present value of the HFG receivable over the agreed payment term is recognised as a capital grant and a deferred debtor.

Upon receipt of the grant payments, the debtor decreases by the capital element and the difference between this and the amount of grant received is credited to surplus or deficit in the Statement of Comprehensive Income as a contribution towards the financing cost of that scheme. The discount rate used for the net present value calculations is the same rate that applies to the associated borrowing to fund the housing assets.

The capital grant element of HFG previously received is deemed to be repayable upon disposal of a related housing asset. This is treated as Recycled Capital Grant in the Recycled Capital Grant Fund and included in the Statement of Financial Position as a creditor.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not to be recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.
On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in surplus or deficit in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Leased assets

At inception the Association assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Properties for outright sale

Properties developed for outright sale and land held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

Interest payable

Borrowing costs are classified as interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Pensions

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme

The Association participates in an industry wide multi-employer defined benefit pension scheme where the scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the scheme and the Association that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Defined contribution scheme

The Association participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities, Welsh Government, other public sector bodies and charitable fees and donations. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Supported housing and other managing agents

Where the Association has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposal occurs and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Investments

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value with changes in fair value recognised in surplus or deficit in the Statement of Comprehensive Income. Other investments are measured at amortised cost less impairment.

Service charge sinking funds and service costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Financial instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financing transactions

Public benefit entity concessionary loans

Where loans are made or received between the Association and another party at below the prevailing market rate of interest that are not repayable on demand and are for the purposes to further the objectives of the public benefit entity or public benefit entity parent, these loans are treated as concessionary loans and are recognised in the Statement of Financial Position at the amount paid or received and the carrying amount adjusted to reflect any accrued interest payable or receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Significant management judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, 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.

Significant management judgments

The following are management judgments 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 have to make an assessment as to whether an indicator of impairment exists. In making the judgment, management considered the detailed criteria set out in the SORP.

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.

Fair value measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

Provisions

Provision is made for dilapidations, aborted development schemes and redundancy costs. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgment.

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 Statement of Financial Position.
The assumptions reflect historical experience and current trends.

2. Particulars of turnover, operating costs and operating surplus

	2018 Turnover £'000	2018 Operating costs £'000	2018 Operating surplus £'000
Social housing lettings	17,526	(12,797)	4,729
Other social housing activities			
1st tranche LCHO property sales	-	-	-
Revenue grants	915	(1,015)	(100)
Other	-	-	-
Non - social housing activities	116	(116)	-
Total	18,557	(13,928)	4,629

	2017 Turnover £'000	2017 Operating costs £'000	2017 Operating surplus £'000
Social housing lettings	17,009	(12,059)	4,950
Other social housing activities			
1st tranche property sales	-	-	-
Revenue grants	1,206	(1,286)	(80)
Other	-	-	-
Non - social housing activities	105	(66)	39
Total	18,320	(13,411)	4,909

Particulars of income and expenditure from social housing lettings

	General needs and sheltered housing £'000	Supported housing £'000	Other social housing letting income £'000	2018 Total £'000	2017 Total £'000
Income					
Rents receivable	14,213	-	62	14,275	13,921
Service charge income	1,196	-	-	1,196	1,403
Income from support services	-	160	-	160	174
Commercial Income			383	383	-
Amortised government grant	1,512	-	-	1,512	1,511
Government grants taken to income	-	-	-	-	-
Turnover from social housing lettings	16,921	160	445	17,526	17,009
Expenditure					
Service charge costs	(1,196)	-	-	(1,196)	(1,403)
Estate Costs	(197)	-	-	(197)	-
Management	(4,649)	(239)	(155)	(5,043)	(4,713)
Maintenance	(3,575)	-	-	(3,575)	(3,414)
Major Repairs	(291)	-	-	(291)	-
Bad debts	(45)	-	37	(8)	(135)
Depreciation of housing properties	(2,487)	-	-	(2,487)	(2,394)
Operating costs	(12,440)	(239)	(118)	(12,797)	(12,059)
Operating surplus social housing lettings	4,481	(79)	327	4,729	4,950
Void losses	241	-	-	241	194

3. Surplus on disposal of property, plant and equipment

	2018 £'000	2017 £'000
Sale of property, plant & equipment		
Sale	1,170	449
Cost of sale	(675)	(345)
Land held no longer for development		
Sale	14	-
Cost of sale	-	-
Surplus on disposal	509	104

4. Interest and finance costs

	2018 £'000	2017 £'000
Bank loans and overdrafts	2,080	2,121
Pension interest charges	31	53
	2,111	2,174
Borrowing costs capitalised	(500)	(178)
	1,611	1,996

5. Other finance income

	2018 £'000	2017 £'000
Bank interest receivable	45	13

6. Operating surplus

The operating surplus before taxation is stated after charging/(crediting):

	2018 £'000	2017 £'000
Housing properties		
Depreciation	2,487	2,394
Amortisation of grant	(1,470)	(1,455)
Non-housing properties		
Depreciation	478	468
Amortisation of grant	(42)	(56)
Audit fees - statutory audit	18	18
Operating lease rentals		
Land & buildings	15	18
Other assets	5	5

7. Staff costs

	2018 £'000	2017 £'000
Wages and salaries	2,962	2,961
Social security costs	300	299
Pension costs	102	97
Pension past service deficit	(31)	71
	3,333	3,428

The full time equivalent number of staff who received emoluments, including pension contributions, in excess of £50,000 were shown below.

	2018 Number	2017 Number
£50,000—£59,999	1	1
£60,000—£69,999	-	-
£70,000—£79,999	3	3
£80,000—£89,999	1	1
£90,000—£99,999	-	-
£100,000—£109,999	1	1

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

	2018 Number	2017 Number
Actual	98	103
Full-time equivalent	94	100

8. Directors' remuneration and transactions

Key management personnel remuneration

	2018 £'000	2017 £'000
Directors who are executive staff members		
Wages and salaries	397	385
Social security costs	49	48
Other pension costs	14	11
Estimated money value of any other benefits otherwise than in cash	6	6
Board members		
Wages and salaries	-	-
Social security costs	-	-
Other pension costs	-	-
	466	450

Directors are defined as the members of the Senior Management Team and the Chief Executive.

	2018 £'000	2017 £'000
Remuneration of the highest paid director, excluding pension contributions:		
Emoluments	99	98

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

9. Tangible fixed assets - housing properties

	Completed properties £'000	Under construction £'000	Total £'000
Cost or valuation			
At 1 April 2017	193,968	6,770	200,738
Additions	1,523	15,339	16,862
Completed properties acquired	7,959	(7,959)	-
Disposals	(915)	-	(915)
Transfers	-	(8,205)	(8,205)
At 31 March 2018	202,535	5,945	208,480
Depreciation			
At 1 April 2017	33,699	-	33,699
Charge for the year	2,487	-	2,487
Transfers	-	-	-
Eliminated on disposal	(430)	-	(430)
At 31 March 2018	35,756	-	35,756
Net book value			
At 31 March 2017	160,269	6,770	167,039
At 31 March 2018	166,779	5,945	172,724

10. Other property, plant and equipment

	Freehold £'000	Long/short leasehold £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 April 2017	6,253	2,472	2,881	94	11,700
Additions	-	-	256	-	256
Revaluations	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	(23)	-	-	-	(23)
At 31 March 2018	6,230	2,472	3,137	94	11,933
Depreciation					
At 1 April 2017	525	281	1,316	71	2,193
Charge for the year	86	46	268	5	405
Disposals	-	-	-	-	-
At 31 March 2018	611	327	1,584	76	2,598
Net book value					
At 31 March 2017	5,728	2,191	1,565	23	9,507
At 31 March 2018	5,619	2,145	1,553	18	9,335

11. Intangible fixed assets

	2018 £'000	2017 £'000
Cost		
At 1 April	770	710
Additions	67	60
At 31 March	837	770
Depreciation		
At 1 April	610	531
Charge for the year	73	79
At 31 March	683	610
Net book value		
At 31 March	154	160

12. Fixed asset investments

	Commercial properties £'000	LCHO £'000	Properties for sale £'000	Total £'000
At 1 April 2017	2,406	3,011	1,797	7,214
Additions	-	169	-	169
Disposals	-	(348)	-	(348)
Transfers	550	-	7,655	8,205
Revaluations	236	174	-	410
At 31 March 2018	3,192	3,006	9,452	15,650

The above represents the interest free loans that we have in our Low Cost Home Ownership Scheme.

Commercial properties, which are all freehold, were valued to fair value at 31 March 2018, based on a valuation undertaken by Bruton Knowles, an independent valuer with recent experience in the location and class of the investment property being valued. There are no restrictions on the realisability of investment property.

If land and buildings had not been revalued they would have been included at the following amounts:

	2018			
	Commercial properties £'000	LCHO £'000	Properties for sale £'000	Total £'000
Net book value	3,183	2,823	9,452	15,458

	2017			
	Commercial properties £'000	LCHO £'000	Properties for sale £'000	Total £'000
Net book value	2,633	2,989	1,797	7,419

13. Stocks

	2018 £'000	2017 £'000
Properties for sale	57	-
	57	-

14. Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Rent arrears:		
Current tenants		
Arrears	746	695
Provision for bad debts	(241)	(325)
	505	370
Former tenants		
Arrears	84	131
Provision for bad debts	(84)	(131)
	-	-
Recharges		
Arrears	33	181
Provision for bad debts	(33)	(181)
	-	-
VAT	-	-
Capital financing	-	-
Insurance	(7)	187
Sundry debtors	1,323	1,059
Sundry debtors: Provision for bad debts	(133)	(75)
Prepayments and accrued income	493	397
	2,181	1,938

15. Current asset investments

	2018 £'000	2017 £'000
Investments	4,000	14,000
	4,000	14,000

16. Creditors - amounts falling due within one year

	2018 £'000	2017 £'000
Loan capital repayments	1,782	4,284
Rents received in advance	320	314
Trade creditors	827	556
Other taxation and social security	(18)	247
Other creditors	1,127	1,074
Grant in advance	2,480	4,905
Recycled capital grants	88	88
Accruals and deferred income	2,828	1,625
Pension past service cost	349	337
	9,783	13,430

17. Creditors - amounts falling due after more than one year

	2018 £'000	2017 £'000
Other creditors		
Loans	63,400	64,168
Recycled grant	377	101
Trade creditors	-	-
	63,777	64,269

Housing loans are secured by specific charges on the Association's housing properties. Rates of interest during the year ranged from 0% to 10.87%. The weighted average rate of interest for 2018 was 2.58% (2017: 2.71%). The effective interest rate of interest for 2018 was 3.58% (2017: 3.64%). At 31 March 2018, 65% (2017 73%) of loans bore interest at fixed rates and 35% (2017 27%) at variable rates.

The loans are repayable as follows:

	2018 £'000	2017 £'000
Amounts falling due:		
Within one year or less	1,782	4,284
Between one and two years	2,877	2,035
Between two and five years	8,012	9,430
In five years or more	52,511	52,703
In more than one year	63,400	64,168
Total housing loans	65,182	68,452

	2018 £'000	2017 £'000
Repayable otherwise than by instalments in more than five years	-	-
Repayable by instalments wholly or partly in more than five years	52,511	52,703
Total repayable in more than five years	52,511	52,703

The recycled grant as follows:

	2018 £'000	2017 £'000
Amounts falling due:		
Within one year or less	88	88
Between one and two years	-	-
Between two and five years	377	101
In five years or more	-	-
In more than one year	377	101
Total housing loans	465	189

18. Social Housing and other government grants

	Social housing properties £'000	Under construction £'000	Other tangible fixed assets £'000	Total £'000
Gross grant creditor				
At 1 April 2017	113,104	5,870	4,454	123,428
Property acquisitions	446	4,677	-	5,123
Schemes completed	4,760	(4,760)	-	-
Transferred to OFA	-	-	(24)	(24)
Transferred to recycled grant	(277)	-	-	(277)
Disposals	(4)	-	-	(4)
At 31 March 2018	118,029	5,787	4,430	128,246
Amortisation				
At 1 April 2017	26,952	-	191	27,143
Charge for the year	1,470	-	42	1,512
Disposals	(77)	-	-	(77)
At 31 March 2018	28,345	-	233	28,578
Net grant creditor				
At 31 March 2018	89,684	5,787	4,197	99,668
At 1 April 2017	86,152	5,870	4,263	96,285

	2018 £'000	2017 £'000
Amounts falling due:		
Within one year or less	1,508	1,446
Between one and two years	1,498	1,436
Between two and five years	4,420	4,278
In five years or more	92,242	89,125
In more than one year	98,160	94,839
Total grant creditor	99,668	96,285

19. Provisions

	2018 £'000	2017 £'000
Balance as at 1 April 2017	171	288
Charge in Year	42	(117)
Balance as at 31 March 2018	213	171

20. The Pensions Trust - Social Housing Pension Scheme

Cardiff Community Housing Association Limited participates in the Social Housing Pension Scheme (the scheme) which is a multi-employer scheme that provides benefits to some 500 non-associated 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 with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

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

	2018 £'000	2017 £'000
Present value of provision at 31 March	2,168	2,503

Reconciliation of opening and closing provisions

	2018 £'000	2017 £'000
Provision at 1 April	2,503	2,701
Unwinding of the discount factor (interest expense)	31	53
Deficit contribution paid	(335)	(322)
Remeasurements - impact of any change in assumptions	(31)	71
Remeasurements - amendments to the contribution schedule	-	-
Provision at 31 March	2,168	2,503

Impact on the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Interest expense	31	53
Remeasurements - impact of any change in assumptions	(31)	71
Remeasurements - amendments to the contribution schedule	-	-
Contributions paid in respect of future service	102	97
Costs recognised in the Statement of Comprehensive Income	102	221

Assumptions

	2018 %	2017 %
Discount Rate	1.72	1.33

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.

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 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. 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 2016 to 30 September 2025:	£12,945,400 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)

Unless a concession has been agreed with the Trustee the term to 30 September 2025 applies.

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.
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

	2018 £'000	2017 £'000
Present value of provision at 31 March	6	7

Reconciliation of opening and closing provisions

	2018 £'000	2017 £'000
Provision at 1 April	7	8
Unwinding of the discount factor (interest expense)	-	-
Deficit contribution paid	(1)	(1)
Remeasurements - impact of any change in assumptions	-	-
Remeasurements - amendments to the contribution schedule	-	-
Provision at 31 March	6	7

Impact on the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Interest expense	-	-
Remeasurements - impact of any change in assumptions	-	-
Remeasurements - amendments to the contribution schedule	-	-
Contributions paid in respect of future service	-	-
Costs recognised in the Statement of Comprehensive Income	-	-

Assumptions

	2018 %	2017 %
Discount Rate	1.71	1.32

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.

21. Share capital

The shares provide members with the right to vote at general meetings but do not have a right to any dividend or distribution in a winding-up, and are not redeemable.

	2018 £	2017 £
At 1 April	134	130
Issued during the year	15	6
Cancelled during the year	(16)	(2)
At 31 March	133	134

22. Statement of cash flows

	2018 £'000	2017 £'000
Cash flow from operating activities		
Surplus for the year	3,982	3,133
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	2,965	2,862
Amortisation of grant	(1,512)	(1,511)
Increase in investment properties	(241)	-
Increase in debtors	(243)	(579)
Increase / (decrease) in creditors	1,559	(106)
Increase / (decrease) in provisions	42	(117)
Pension costs less contributions payable	(348)	(213)
Carrying amount of property, plant & equipment disposals	675	427
Non Cash movements	(752)	(86)
Increase in fair value of investment property	-	(103)
Total non-cash adjustments	2,145	574
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	(836)	-
Proceeds from the sale of fixed assets investments	(348)	-
Interest payable	1,611	1,996
Interest received	(45)	(13)
	382	1,983
Cash generated by operations	6,509	5,690

Cash and cash equivalents		
Cash at bank and in hand	2,418	3,741
Cash equivalents included in current asset investments	4,000	14,000
Cash and cash equivalents	6,418	17,741

23. Financial commitments

Capital commitments are as follows:

	2018 £'000	2017 £'000
Contracted for but not provided for	16,007	24,185
Approved by the Board but not contracted for	6,351	-
Not approved by the Board and not contracted for	19,865	18,787
Total Capital Commitments	42,223	42,972

Financing of future schemes

	2018 £'000	2017 £'000
Sales	14,567	15,733
Social Housing Grant/Housing Finance Grant	15,858	12,562
Loans currently under negotiation	-	6,000
Loans available for drawdown	6,000	-
Future loans	5,798	8,677
Total Capital Commitments	42,223	42,972

24. Units in management

	Units at 1 April 2017	New Build	Transfers	Sales	Units at 31 March 2018
Owned properties					
General needs housing accommodation	2,800	47	(21)	(7)	2,819
Housing accommodation at intermediate rent	22	-	(1)	-	21
Supported housing accommodation	25	-	21	-	46
	2,847	47	(1)	(7)	2,886
Management properties					
Low Cost Home Ownership Scheme	88	-	-	(5)	83
Flats under Right to Buy	8	-	-	-	8
	96	-	-	(5)	91
Total	2,943	47	(1)	(12)	2,977

25. Related party transactions

The Association provided rental accommodation to three tenant Board members during the year and charged rent and service charges to those members on the Association's standard terms.

26. Contingent liabilities

The Association has been notified by the Pensions Trust that the estimated employer debt on withdrawal from the SHPS scheme based on its financial position as at 30 September 2016 was £21,957,000. The valuation for 30 September 2017 has not yet been finalised by The Pensions Trust.

The Association has a contingent liability with Welsh Government and other government agencies for £28,578,000 (2017: £27,143,000) representing the amount of social housing and capital grants amortised through the Statement of Comprehensive Income.

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