

GRŴP CYNEFIN

Annual Report and Financial Statements

For the year ended 31 March 2020

REPORT AND FINANCIAL STATEMENTS 2020

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GRŴP CYNEFIN

LEGAL AND ADMINISTRATIVE DETAILS

REGISTERED OFFICE

Tŷ Silyn
Ffordd Llanllyfni
Penygroes
LL54 6LY

MANAGEMENT BOARD MEMBERS

Dafydd Lewis	Chair	
Carys Edwards	Vice Chair	
Julia Hughes		
Nia Hughes		(resigned September 2019)
Llinos Iorwerth		
Bob Jones		(resigned July 2019)
John Arthur Jones		
Clifton Robinson		
Chris Schoen		
Sharon Warnes		(resigned May 2019)
Ellen Llwyd Williams		
Mike Corfield		(appointed September 2019)
Jane Lewis		(appointed September 2019)
John Antony Jones		(appointed September 2019)
Geraint Wyn George		(appointed September 2019)

LEADERSHIP TEAM

Shan Williams	Chief Executive Officer
Bryn Ellis	Business Services Director
Carina Roberts	Community Services Director
Dylan Roberts	Regeneration Services Director
Nia Owen	Head of Finance
Noela Jones	Head of Housing Services

SECRETARY

Shan Williams

BANKERS

Barclays
PO Box 3333
One Snowhill
Snowhill Queensway
Birmingham
B3 2WN

AUDITOR

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

LEGAL STATUS

Registered under the Co-operative and Community Benefit Societies Act 2014
Registered with the Welsh Government, Number L029
The Association has adopted charitable rules

MANAGEMENT BOARD REPORT

Grŵp Cynefin's 2019-2024 Corporate Plan sets the strategic direction, as follows:

VISION:

Making a positive difference to lives and communities

MISSION STATEMENT

Grŵp Cynefin will:

- **Provide excellent homes and services**
- **Contribute to the development of sustainable communities**
- **Protect and promote the Welsh Language with pride**

VALUES

Grŵp Cynefin is aware that its values have a great influence over the behaviour and attitude of staff. Grŵp Cynefin has invested time with staff to ensure that its values lay a strong foundation in helping it make the best decisions in any situation, with all stakeholders. Grŵp Cynefin's values are aligned with its vision and aims, and this is one of the key drivers in establishing its culture.

- **Openness** - Transparent and decisive. Willing to work together to achieve the best results.
- **Innovation** - Innovative and willing to challenge ourselves to find new ways of delivering and providing services of the highest standard to our customers.
- **Support** - Work with passion to support our customers, our colleagues and our partners in addition to helping our communities thrive.
- **Achieve** - Act professionally and use our expertise to ensure the success of the company and our people. Always strive for continuous improvement and ensure value for money.
- **Respect** - Respect each other and others, promote equality and reject any prejudice.

STRATEGIC AIMS 2019-2024

There are five strategic aims, which will help us make a positive difference to lives and communities. Each objective is supported by a series of agreed action plans and indicators, which will demonstrate and measure the difference the plan has made, and is making, over the five years:

1. **Quality Homes**
2. **Excellent Services**
3. **Improve Lives**
4. **Sustain Communities**
5. **Strong and Sustainable Growth**

DELIVERING THE GRŴP CYNEFIN STRATEGY

During 2019-20, Grŵp Cynefin delivered on its key strategic aims, as demonstrated below:

Aim 1: Quality Homes:

Grŵp Cynefin shall provide high-quality affordable homes that meet local needs.

This year, Grŵp Cynefin added 82 units to its stock and has disposed of 16 units, bringing the total number of units under management to 4,025. However, there was a reduction of 8 Homebuy units, and an increase of 7 Shared Equity units bringing the total number of units (inclusive of the Homebuy and Shared Equity) to 4,826 at the year end.

These include the 4,001 rented units which are either owned by Grŵp Cynefin or leased from the Welsh Housing Partnership and which are managed by Grŵp Cynefin; 801 intermediate market units ('Homebuy' and 'Shared Equity' units) in which Grŵp Cynefin has an interest, as well as 24 units which are owned by other landlords and Almshouses, but are managed by Grŵp Cynefin. Our fourth Extra Care housing development for older people, Hafod y Gest in Porthmadog was officially opened during the year, with construction of our 5th Extra Care development commencing on site in Denbigh.

Aim 2: Excellent Services

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Grŵp Cynefin shall provide excellent customer service consistently across the group

A new Tenant Satisfaction Framework has been developed with tenants in line with one of the strategic aims, and a framework was presented to the Customer and Communities Committee in September 2019. The way in which satisfaction is collected has therefore changed during the year, where 'pulse' questionnaires are now sent via various methods of communication, with the aim of attaining more responses from tenants. The basis of the questionnaires has also changed slightly, therefore, some responses may appear different in comparison to last year's results.

A comprehensive review of the Maintenance Department commenced during 2019-20, with the aim of providing a consistent service which will be more effective, ensuring improved satisfaction for staff and a better experience for our tenants giving more security to Grŵp Cynefin. The review will include a re-structure of the department, and as part of this, a new Head of Asset Management was successfully appointed within the year. The COVID-19 situation has impacted on the timescale of the review, but it aims to be completed by June 2021 in line with the strategic aim.

Repairing and improving homes Key Performance Indicators:

	2020	2019
Repairs completed within target time	92%	90%
Tenant satisfaction with repair work	98%	98%
Emergency work completed within 24 hours	99%	97%

As mentioned above, tenants have been involved in reviewing a new satisfaction framework and two 'pulse' surveys were sent out during 2019-20 as one method of receiving tenants' views on our services. Tenants were contacted via 3 mediums – 33% by email, 33% via post and 33% by phone. The telephone response percentage was much higher than the other two methods with 56% answering by telephone, 24% by email and 20% by post. A further series of surveys was planned for March 2020 but was postponed due to COVID-19.

Letting and managing property:

The performance for the number of days taken to let a property had improved significantly during the year, and was below target for the first three quarters of the year. This result was a reflection of the work carried out by the Strategic Re-let Group that was set up in order to improve performance. However, a strategic decision to hold back some re-let work in order to manage budgets had an impact on the performance at the year-end, with the performance being 26 days against a target of 25 days.

	2020	2019
Rent loss – arrears as a % of rent collectable	3.01%	3.10%
Rent loss – empty properties as a % of rent collectable	1.02%	1.10%
Days taken to let (including relets and new properties)	26	31
Number of ASB cases during the year: These cases range from category one cases which includes threatening behaviour and assaults, to category three which would include noise nuisance, untidy gardens etc.	562	433

A new customer service framework and team was established in August 2018, branded 'Cyswllt Cynefin', which introduced communication methods such as email, text messages, phone calls, on-line chat and focus groups as a means for tenants to make their views heard. Adoption of the new framework will also help ensure that a high level of customer service will be maintained.

Customer Services Key Performance Indicators:

	2020	2019
Number of phone calls received	56,195	60,975
Answered within 30 seconds	93.8%	99.0%
Number of emails received	7,344	7,000
Number of Facebook messages received	892	1,200

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Aim 3: Improve Lives

Grŵp Cynefin shall provide help and opportunities for people

Grŵp Cynefin provides more than housing and manage a number of initiatives that enable people with a variety of needs to live independently and safely.

- The Grŵp Cynefin Welfare Team helped 331 tenants for the first time, with 1532 cases, which has assisted tenants to obtain £938,347 of additional benefits / income from Universal Credit.
- The team also worked with in-house teams such as energy wardens – who themselves successfully uploaded 773 applications for Warm Homes Discount on behalf of our tenants and other residents with a variety of energy providers. This will achieve savings of £108,220
- The organisation provided support towards gaining employment and developing new skills. A total of 24 tenants were referred for training and employment support: 6 secured employment, 9 received training qualification support – including NVQ courses, beauty courses, IT training, forklift training, HGV training and learning Welsh. One tenant volunteered on site, and 11 were successful with their applications for ‘Steps to Employment’ grant
- 300 applications were assessed and nominated to properties, via the Tai Teg affordable housing register, being an increase of 46% compared to 2018-19.
- In partnership with Betsi Cadwalader University Health Board, Grŵp Cynefin ran a successful social prescribing course
- Gorwel a business unit within Grŵp Cynefin, provides support for up to 500 service users per week. This includes support to families suffering domestic abuse; support to children and young people and providing homelessness prevention services and support within the communities.

Aim 4: Sustain Communities

Grŵp Cynefin shall engage with local communities and shall be a catalyst for positive change

Highlights from Grŵp Cynefin’s pioneering community work:

- A total of £1.2m grants have been supported by the Community Initiatives Team for various projects within our communities
- A total of 70 applications were received during 2019-20 (the highest amount so far) for Grŵp Cynefin’s Community Grant scheme. The grant is available to voluntary groups, community groups or groups of residents who would like to work together to make a difference to their local community. A total of £11,877 was awarded to 87% of these, representing 61 groups. The project included sports clubs, improvements to community facilities such as community centres and communal gardens and fun days.
- Youth Shedz, developed by 16 to 25-year-olds working with Grŵp Cynefin and Gorwel, was named UK homelessness project of the year (landlords with less than 4,000 homes) at the UK Housing Awards.
- The intergenerational programmes in Bala, Denbigh, Ruthin and Holyhead, which bring young and older people together, won first place in the community partnership category at the Tenant Participation Advisory Service (TPAS) Wales Cymru Awards.
- The pioneering Arts for Health, Denbigh project, funded by Betsi Cadwalader University Health Board, where GPs prescribed an arts course for patients with mental health issues, had a 100% retention rate.
- Grŵp Cynefin helped a number of tenants back into employment or training.
- Regeneration projects including Y Shed in Meliden, Dyserth and Siop Griffiths (Yr Orsaf), Penygroes have delivered positive regeneration outcomes for communities in terms of employment and economic growth

Aim 5: Strong and Sustainable Growth

We will demonstrate the best leadership, governance and management practices as a group

The Management Board directs the activities and strategic direction of the group. The management of the organisation is delegated to the Chief Executive and the Leadership Team.

To demonstrate the best leadership, governance and management practice as a group:

- Governance arrangements are continually developed, and during 2019-20 a review of Grŵp Cynefin’s governance structure was undertaken in order to ensure it had a governance structure suitable for future aspirations, aims and objectives. This involved discussions with the Management Board via workshops. The

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reviewed Framework included the establishment of a new Committee, being the Finance and Growth Committee, and the amalgamation of two other committees, being the Governance Committee and the Remuneration Committee, into a new Governance Management Committee

- Grŵp Cynefin also consulted on Board member remuneration and commenced remuneration in July 2019, which will assist in retaining and attracting the correct individuals in order to achieve the group's corporate objectives and respond to future challenges.
- Following some Board members resignations, and following undertaking a skills gap analysis, a recruitment campaign successfully saw four new Board members being appointed during the year.
- As previously mentioned in the report, and in line with the strategic aim set for 2019-20, Grŵp Cynefin attained a 'Silver' level of the Investors in People Accreditation, and the work of establishing a People Development Action Plan will be drawn-up incorporating the recommendations of the report.
- Grŵp Cynefin published its first Value for Money statement for 2019 and the highlights include:
 - £490k was saved over 5 years by investing £277K (excluding staffing costs) in new "Active H" Housing software
 - 97% of urgent repairs were completed within 24 hours
 - Nearly £1m of additional benefits were gained for our tenants by our Welfare Team
 - £182.80 saved per week by employing an internal translator, but which also saves time for other members of staff
 - £9,641 saved in relation to the costs of publishing "Calon" the tenant's magazine, as 1450 tenants now choose to receive it via e-mail.
 - Grŵp Cynefin has employed a Senior Procurement Officer during 2019 who will further drive forward the work of the Procurement and Contractor Chain Strategy to gain further efficiencies during 2020 and beyond.
- Following the recruitment of a Data Protection Officer jointly with North Wales Housing Association, 2019-20 saw great improvement in the general culture of sound data protection practices, and an internal audit has confirmed that Grŵp Cynefin is mostly compliant with the requirements of the GDPR Act, with a clear focus and action plan in place to continue to full compliance.

GRŴP CYNEFIN PRINCIPAL ACTIVITIES

As a registered social landlord, Grŵp Cynefin:

- Manages more than 4,000 homes across North Wales and North Powys
- Provides landlord services through a network of local offices in Bala, Denbigh, Llangefni and Penygroes.
- Encourages tenants to influence performance and improve the services they and their communities are receiving
- Develops homes of all types in response to local needs: for families, single people, older people and vulnerable persons with support needs
- Has an interest in, part-owns or has facilitated over 800 intermediate market homes for people who cannot buy a suitable home on the open market
- Administers Affordable Housing Registers on behalf of the six local authorities in North Wales
- Supports Rural Housing Enablers that support community efforts to increase the supply of housing for local people
- Has invested in the Welsh Housing Partnership, (a joint venture with three other housing groups), that has provided almost 1,150 additional intermediate rent homes since its formation in 2011.

As a group of social businesses Grŵp Cynefin also:

- Manages two Care and Repair agencies through two subsidiaries (Canllaw (Eryri) Cyf and Gofal a Thrwsio Conwy a Sir Ddinbych) which carry out essential adaptations to the homes of older people and people with disabilities
- Provides housing-based support services through Gorwel, Grŵp Cynefin's internal business unit, that enable individuals and families to live independently: including victims of domestic abuse, homeless people, older people and people with mental health support needs
- Manages a homelessness prevention project for young people in Conwy
- Manages the 'Bus Stop' community development project for customers in Conwy, Denbighshire, Gwynedd and Ynys Môn
- Manages the Community Energy Wardens employment and vocational training project in Gwynedd, Ynys Môn and Conwy

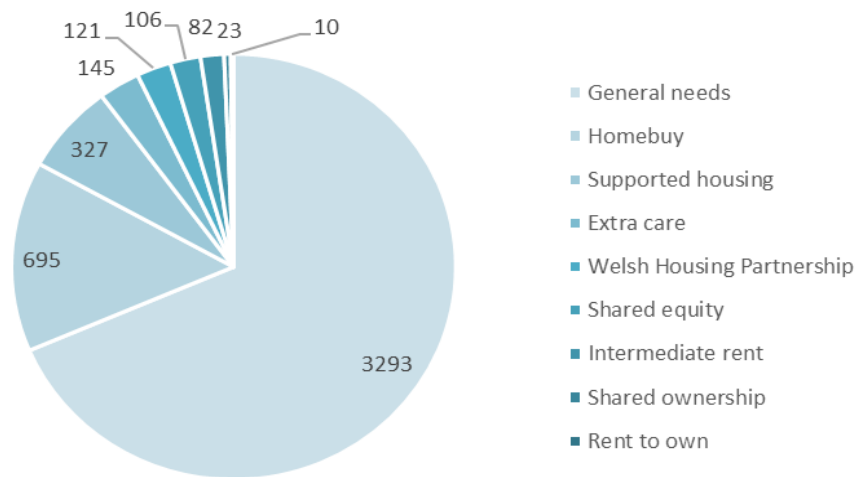
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- Manages the Congl Meinciau Enterprise Centre on the Llŷn Peninsula, Gwynedd
- Manages the HWB Dinbych youth enterprise centre in Denbigh
- Manages the Shed enterprise in Meliden, an £1.2 million enterprise transforming an old empty railway building into a hub with a shop, café, local heritage information, and business units. The Shed officially opened during 2019-20
- Acts as the Corporate Trustee for two Almshouse Charities, The Charity of Elizabeth Owen, Llanfair DC and Ellen Glynne Homes, Llandwrog.
- Provides business units for community groups in Llangefni.

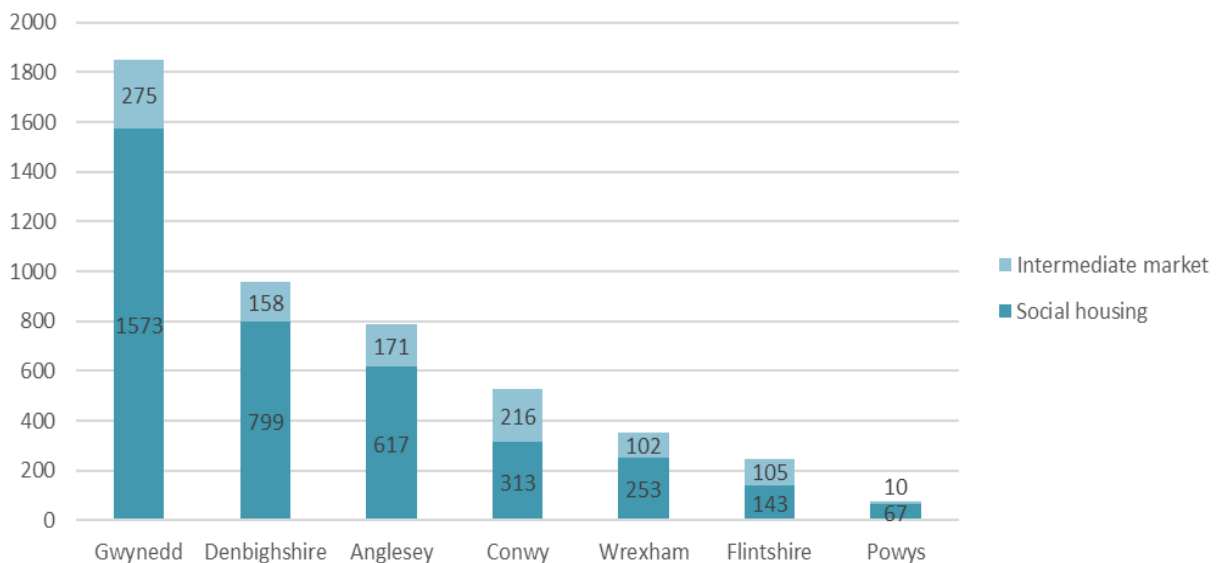
The following graphs summarise the housing stock (which is owned and managed by Grŵp Cynefin along with the intermediate housing stock that the organisation has an interest in) by type of property and local authority in which it is located. The graph includes the Homebuy and Shared Equity properties (801 units in total) that were facilitated by, but are not managed by Grŵp Cynefin, and which therefore are not included within note 5 of the accounts.

However, note 5 includes an additional 24 units, which are managed by Grŵp Cynefin on behalf of others.

Graph 1: Housing Stock @ 31/03/20 – By Type of property



Graph 2: Housing Stock @ 31/03/20 – By Local Authority



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Financial foundations for Grŵp Cynefin

Strong foundations have been put in place during the past 12 months, helping us to fulfil our social value. Grŵp Cynefin has been re-financing and arranging new loan facilities, which has left the organisation well placed to fund its development needs for the period of its Growth Strategy and beyond. Grŵp Cynefin demonstrates that it is fully compliant with all aspects of its current Treasury Management Policy.

Staff continue to work hard to improve the efficiency of the business and deliver better services to our customers and communities, and during the year, a new post of Senior Procurement Officer was created as Grŵp Cynefin's commitment to further drive forward this element. A Growth Strategy, an Estates Strategy, a Value for Money Strategy, a Digital Transformation Strategy and a Procurement and Supply Chain Management Strategy are all in place, being five key documents that form the pillars of Grŵp Cynefin's five-year Corporate Plan.

The Management Board approved its 2020-21 Treasury Strategy for in February 2020.

In October 2019, the Welsh Government published its Regulatory Judgement on Grŵp Cynefin, and the group received a 'Standard' judgement for both Governance and Services and Financial Viability. This means that the Regulator is of the opinion that Grŵp Cynefin identified and manages new emerging risks appropriately and meets its viability requirements and has the financial capacity to deal with scenarios appropriately.

In accordance with the Welsh Government requirements, a comprehensive 'stress-testing' exercise was carried out with the Management Board when preparing the latest 30-year financial forecasts.

The group's financial forecasts for the next five years demonstrate adequate resources to meet current and forecasted business and financial commitments. Grŵp Cynefin has sufficient cash and secured loan facilities to meet its funding requirements until the end of September 2022.

Grŵp Cynefin will continue to comply with all of its lenders' loan covenants at all times. The impact of the UK Government's welfare reforms, so far, has been within expectations.

Grŵp Cynefin is continually assessing its effectiveness in relation to Value for Money (VFM). As an organisation with social purpose, it is committed to maximising value for our tenants, future tenants and the wider community. It is reflected in the Welsh Government's regulatory framework that in the context of austerity, an increasingly challenging operating environment for housing associations and real hardship for many tenants, there is a sense that associations need to redouble their effort in terms of delivering and demonstrating VFM.

Grŵp Cynefin approved a new VFM Strategy in March 2018. VFM champions have been appointed by each service and have been meeting regularly to help deliver the new strategy. A VFM Statement was released during the year and will be produced annually thereafter. The government is effectively saying that whatever the organisation's mission, VFM is about maximising its delivery and then demonstrating it to stakeholders.

Welsh Government requires all Housing Associations to develop a robust Asset and Liabilities Register to prepare for a worst-case scenario should a housing association find itself in difficulty. Grŵp Cynefin has produced an asset and liabilities register which is updated on a quarterly basis. The Audit and Resources Committee (now the Audit and Risk Committee) approved the register in May 2017 and the Leadership Team reviews and approves the register on a quarterly basis. In October 2018, an internal audit was conducted on the Assets and Liabilities Register, which received 'Substantial' assurance over the design of the processes and controls in place and 'Substantial' assurance over its operating effectiveness.

Strategic Business Planning processes have been assessed around the Grŵp Cynefin primary business streams, based on robust cost and income analysis. This has provided a firm foundation for the Management Board to make future strategic choices via a new growth strategy and will be reviewed frequently to assess trends or growth within various business streams.

The financial performance of Grŵp Cynefin and the group for the year is detailed in these financial statements. The Management Board considers that the results are satisfactory and indicate the continued growth and financial strength that will enable the group to expand the provision of high-quality housing and services to the local communities.

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The group turnover for the year was £28m (2019- £26m) of which £20.8m (2019- £19.3m) was rental and service charge income. The group's surplus for the year amounted to £1.371m (2019- £1.683m) and following the defined benefit pension adjustment that was required during the year showing additional income of £4.27m (2019- expenditure of £5.25m), the revenue reserves stood at £29.3m (2019 - £23.65m) at the year-end. The Management Board considers this a satisfactory result for the year. Housing properties stood at a net book value of £286m at the year-end (2019- £279m).

Making a difference

Grŵp Cynefin aims to complete a total of 360 new units over the three-year period ending 31 March 2022, as per the new Growth Strategy.

However, due to the effects of COVID-19 and the delays affecting building sites directly, this figure will continually be monitored over the next 12 months and may be subject to change.

During 2019–2020, Grŵp Cynefin invested £5.6m in repairs and maintenance. Grŵp Cynefin also gave priority to work in relation to, and in response to its Fire Risk Assessments, which was prioritised on a risk basis.

Grŵp Cynefin helped support customers into training and employment, provided benefit advice to tenants through its welfare team and dealt with 1532 cases to assist tenants with £938,347 financial gains during 2019-20; whilst continuing to work with other agencies to support communities including local authorities, health boards, higher education, further education and schools, to create communities that are more resilient.

Grŵp Cynefin has been working on a Skills and Development Strategy during 2019-20, and a collaborative application with other Housing Associations through the lead of Procure Plus via CITB for 300 apprentices over 3 years has been granted – which will develop further during 2020-21.

Tenant involvement

Tenant Involvement is at the heart of Grŵp Cynefin's operations and gives tenants the opportunity to participate and engage in different ways; Grŵp Cynefin believe that everyone has something to contribute. This is documented in its Tenant Involvement and Community Strategy. By working together co-productively, focusing on strengths and opportunities we can deliver services and empower tenants and communities to achieve outcomes that are important to them. During 2019-20, and as a direct response to Welsh Government's Regulatory Board for Wales's review of ensuring tenants are effectively involved in strategic decision making and shaping services in ways appropriate for tenants, Grŵp Cynefin commissioned TPAS Cymru to facilitate a review on how effective this was within its governance framework. The review was completed in March 2020, and the Management Board has agreed an action plan to ensure and enhance tenant involvement to be at the heart of its decision-making process.

General Performance

Grŵp Cynefin staff are fully committed to deliver the best services they can. Value for money and the need to modernise some of the organisation's key front-line services has resulted in a strategic review of its Repairs and Maintenance service, with a view to delivering an even better service to tenants.

Grŵp Cynefin ended the year with 99.94% compliance with Gas Safety and 78% satisfaction from its repairs and maintenance service.

Meanwhile, Grŵp Cynefin's Housing Officer Team continued to support the association's tenants to sustain their tenancies, and although arrears fluctuated during the year, by the end of March 2020, performance was down to 3.01%. However, it is anticipated that, the effects of COVID-19 will have a negative impact on rent arrears in 2020-21.

Void performance also continued to improve during the year, with performance being 26 days by the end of March 2020, compared to 31 days at the end of March 2019. Again, with the effects of COVID-19, and the inability to let properties during the lock-down period, it is anticipated that performance for 2020-21 will be impacted. 64% of our tenants have lived in their properties for a period of 5 years or more.

Grŵp Cynefin consulted with a group of tenants on the proposed annual rent review which was then discussed by the Customer and Communities Committee and approved by the Management Board. Whilst this is part of a wider piece

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of work, Grŵp Cynefin supports the principle of an affordable local rent policy, whilst also ensuring the viability and sustainability of the business.

The Operating Environment

2019-2020 was a year of two parts – up to 23rd March 2020 and post 23rd March 2020 when as a result of the global pandemic COVID-19 and the Government ordered lockdown of the United Kingdom, the unprecedented last few months have been challenging to Grŵp Cynefin. The outbreak has become a headline risk for Grŵp Cynefin, but the group has acted swiftly and has managed the risk effectively.

As a housing association, Grŵp Cynefin continues to operate within a complex environment with changing political, economic, social and environmental challenges and demands. This included Brexit, which dominated the political sphere last year; whilst there continues to be rising public and political concern about tackling poverty, increasing homelessness and rough sleeping and climate change. The Grenfell Tower tragedy, followed by the Hackitt Review resulted in an increased focus on fire safety and the importance of hearing the voice of tenants.

Additional social and housing policy in Wales has seen local authorities once again being able to build new council housing, and there has been a shift towards more collaborative working, between housing associations, local authorities and health boards. Grŵp Cynefin is well-placed and has a good track record of working with public sector organisations to develop innovative solutions, responding positively to the challenges facing our tenants, customers and communities where we operate as landlord.

The need continues to exist for good quality and affordable social housing. The independent review of affordable housing supply (May 2019) has significant implications for the sector, including rent setting, grant funding, decarbonisation and value for money expectations.

Throughout the COVID-19 pandemic, Grŵp Cynefin has continued to maintain its services, providing support to tenants and customers in greatest need, ensuring tenants, staff and contractors are kept safe and doing everything possible to support communities across north Wales. The implementation of the new Digital Transformation Strategy and investing in the health, safety and well-being of staff has been critical in enabling Grŵp Cynefin to deliver services in a resilient way.

Welsh Housing Quality Standards (WHQS)

It is crucial that Grŵp Cynefin stock continues to meet the WHQS standards. An independent review was commissioned during 2019-20 where the data was used in reporting on our compliance position to the Management Board, to the Regulator and to Grŵp Cynefin's funders. The independent verification, based on an annual 20% stock sample over a 5-year period, also provides assurance that Grŵp Cynefin's planned maintenance forecasts are based on sound stock condition data.

The WHQS report submitted to Welsh Government in August 2019 showed that 100% of Grŵp Cynefin's stock complied with WHQS (subject to acceptable fails).

Health and Safety

Grŵp Cynefin is committed to having robust corporate Health and Safety arrangements in place, thus ensuring that its Management Board has adequate assurance. Grŵp Cynefin considered two 'lessons learnt' reports published by Welsh Government, and produced a Corporate Health and Safety Action Plan which is being monitored and reported upon on a quarterly basis to the Audit and Risk Committee. The group reviewed its health and safety arrangements with the assistance of external advisors during the year, and revised the Corporate Action Plan accordingly.

Regulatory Judgement

Welsh Government's Regulatory Framework aims to ensure that Wales continues to have well governed, financially robust Registered Social Landlords (RSLs) providing high quality, and improving landlord services to tenants and service users. In compliance with the said Framework, an annual Regulatory Judgment is undertaken. The judgement considers the following:

- Governance and Services: Whether the RSL can identify and manage emerging risks appropriately
- Financial Viability: Whether the RSL meet its viability requirements and whether it has the financial capacity to deal with scenarios appropriately

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The annual Regulatory Judgement from the Housing Regulatory Team at Welsh Government, published in October 2019 confirmed a ‘standard’ judgement on both Governance and Services and Financial Viability, this being the highest award possible.

Modernised and digital services

Grŵp Cynefin has invested in its new housing management software (‘Active H’) as part of our commitment to improve its service delivery. The second phase of the project is well underway and will improve efficiency, enabling the organisation to become more modern and better connected. The software will enable better response to tenants and customers’ needs by offering more choice in the ways they wish to conduct their business with Grŵp Cynefin, for example, this phase involves the development of a tenant’s portal or App. Running the business and business planning will be improved through better integration with asset management software and mobile working for operatives.

The new ‘*Cyswllt Cynefin*’ customer care team is now well established and feedback is positive and shows that the service provided is valued. Over the next 12 months, Grŵp Cynefin will be aiming for customer care accreditation and will be reporting on this development in its next Annual Report. The continued development of information technology will release more time for *Cyswllt Cynefin* staff to spend more time with the customers who require more support.

During 2019-20, Grŵp Cynefin worked on developing a new Digital Transformation Strategy for 2019-2023, where it is aimed that significant benefits include data and system security improvements, to work more efficiently and effectively, provide Grŵp Cynefin with a modern image and increased tenant and staff satisfaction. This Strategy was approved by the Management Board in May 2020.

Safeguarding and domestic violence

Grŵp Cynefin has a responsibility to safeguard and promote the welfare of tenants, and staff and are well placed to identify issues of abuse in the family home and in the wider community, having knowledge about local needs, alongside access to information about family finances, and access to home environments. The Safeguarding Policy was reviewed in February 2020, and all staff receive regular training.

During 2019-20, and following an Internal Audit on this area, a Safeguarding Management Group has been established which meets quarterly, chaired by the Director of Community Services. The group considers whether there are and Safeguarding themes and identifies any staff training needs and lessons learnt.

What makes Grŵp Cynefin unique?

Grŵp Cynefin is the only Housing Association with stock across all six north Wales local authority areas and north Powys, and is committed to addressing housing needs, with developments ranging from rural villages to larger towns.

The organisation manages or has an interest in nearly 5,000 affordable housing properties, which provides for a whole spectrum of ages and needs. Whether that is providing the very first home for people, addressing growing family needs, specially adapted homes, supported housing and specialising in providing Extra Care Housing for older people.

For those at risk of becoming homeless or suffering domestic abuse, Gorwel, a business unit within Grŵp Cynefin, provides support to extremely vulnerable people.

Gorwel’s main focus is domestic abuse and homelessness prevention services in three local authorities. Gorwel supports up to 500 service users every week.

Grŵp Cynefin builds mixed tenure developments and has recently successfully sold some units on the open market, and is learning from its experiences. This will inform the future direction and possible future joint working with other strategic partners.

The business is not just about homes and Grŵp Cynefin is well known for offering **#more than housing**. The Community Initiatives’ Team continues to make a difference by working with communities to offer opportunities to improve their quality of lives. Examples of such projects include The Shed, Meliden and the Health and More project in Dyffryn Nantlle, which is gathering momentum, and will be a project run in collaboration with Gwynedd Council, Betsi Cadwalader University Health Board and others.

GRŴP CYNEFIN

MANAGEMENT BOARD REPORT

Grŵp Cynefin is the only Housing Association conducting its internal business completely through the medium of Welsh and is extremely proud of this unique characteristic. This makes it easier for all its customers to be able to converse with anyone within the association in their language of choice.

Grŵp Cynefin has two main offices in the village of Penygroes [registered office] and the town of Denbigh, with other offices in Bala and Llangefni, which has enabled staff to support the local economy in all locations. This is unique in comparison to other Housing Associations based in the same geographic areas.

Grŵp Cynefin runs various services on behalf of housing associations and local authorities, which demonstrates the additional value provided by the organisation, and shows the trust in Grŵp Cynefin amongst partners. These are Tai Teg – the affordable housing register, and Rural Housing Enabler Service.

Through its two subsidiary companies, Canllaw and Conwy and Denbighshire Care and Repair, older and disabled homeowners and private rented tenants across four local authority areas have access to support and help with adaptations or homes repairs work to enable them to live at home independently and securely. This year saw the establishment of a new Welsh Government funded pilot of Hospital to Home project at Ysbyty Gwynedd, Bangor and Ysbyty Glan Clwyd, Bodelwyddan. This service has clear benefits in enabling clients to return home safely after a stay in hospital and helps with improving patient flow through the hospital by facilitating quicker discharge from hospital thereby saving money for the Health Board.

Gofal a Thrwsio's 'Gerddi Gwyrdd' Home Improvement Service continues to expand and generates income to invest in the company's core services to ensure sustainability. Staff from both companies have Trusted Assessor status, to assess needs for low-level adaptations.

Grŵp Cynefin staff

As at the end of March 2020, the key staff performance indicators were as follows:

	2020	2019
Number of staff at year end	257	246
Full time equivalent	206	195
Split between Male/Female employees	70 Male 187 Female	69 Male 177 Female

Grŵp Cynefin has talented and motivated staff who are committed to enable the organisation to deliver the objectives of its Corporate Plan and deliver the best services to its customers. During the year, Grŵp Cynefin invested in all its managers by participating in a Systems Leadership course run by Do-Well and Glyndwr University., Grŵp Cynefin will also continue to invest in other staff, making them more resilient to any changes that may come as a result of the strategic or value for money reviews planned as part of its new Growth Strategy.

Grŵp Cynefin continues to invest in staff training and secondment opportunities, also investing in the health and well-being of its staff through a range of initiatives, and a Group Staff Conference was held in November 2019 based on the theme of 'Staff Wellbeing'.

This investment is reflected following Grŵp Cynefin attaining a 'silver' 'Investors in People' (IIP) accreditation during 2019-20, where a Workforce Development Plan will be drawn up to incorporate the recommendations of the IIP report.

During 2019-20, the work of developing a new Communication Framework commenced in line with its strategic aim, which involved consulting with various groups of staff. The Framework and plan will be presented to the Management Board in 2020-21 for approval.

Approach to risk management and risk appetite

Grŵp Cynefin approved a new Risk Assurance Framework, based on the 'three lines of defence' approach via the guidance of our previous external auditors, Mazars. The framework was applied the group's strategic risks, and within the coming year it will also be applied to operational and project risks for additional assurance management.

MANAGEMENT BOARD REPORT

An internal audit was conducted on Risk Management arrangements at the beginning of the financial year, where an overall audit opinion of ‘Substantial/Moderate Assurance’ was attained.

Grŵp Cynefin’s Management Board recently reviewed its risk appetite, and which has been incorporated into the Risk Register. Risk management information will be more readily available to the Management Board and Committee members, after investing recently in new software, which will further enhance the group’s risk management arrangements.

Headline risks that were identified as possible emerging risks were lack of financial viability, failure to comply with laws and regulations, failure to provide effective services to our tenants or service users, failure to run an effective business, damage to reputation and failure to deliver the growth strategy. All of the risks identified have controls in place to mitigate or manage their impact on the Group. During 2019-20 and to date, the key risks facing Grŵp Cynefin are:

- Main Contractor/Operational Chain Failure
- Less availability of potential sites for development, and uncertainty regarding the new grant regime and its impact on future developments
- Increase in rent arrears

All of the above have been maximised due to the effects of COVID-19, and during the end of 2019/20, a specific ‘COVID-19 Risk Register’ was established. The register incorporates the above mention risks, with the additional key risks of:

- The health and safety of our staff, tenants and Board Members and the likely business interruption due to the effects of COVID-19
- COVID-19 within our extra care schemes, also within our Gorwel refuges and hostels

The Risk Registers are formally reviewed by the Audit and Risk Committee on a quarterly basis, with any key areas drawn thereafter to the attention of the Management Board.

Grŵp Cynefin identifies fundamental treasury risks to which it is exposed, which includes liquidity risk, counterparty credit risk, interest rate risk, and legal / regulatory risk. All risks are included within the Strategic Risk Register, which include (but not confined to) key controls for mitigation as follows:

- A robust Treasury Management Policy and arrangements, with Policy reviewed annually by the Board
- Regular Treasury Management reporting to the Finance and Growth Committee
- Regular reporting of performance against our ‘golden rules’
- Regular review of all approved counterparties credit ratings
- Weekly monitoring of rent arrears performance
- Weekly monitoring of 24-month cash flow forecast
- Comprehensive treasury and legal advice / support from consultants and legal advisors
- Robust and regular co-regulation arrangements with regulator.

Grŵp Cynefin will design, implement and monitor all arrangements necessary for the identification, management and control of these treasury risks.

The specific operational arrangements and risk controls that seek to ensure compliance with the objectives are set out in the group’s Treasury Management Policy.

Internal Financial Control

In accordance with the Welsh Government’s Housing Association Circular – RSL 02/10: Internal controls and reporting, the Management Board acknowledges that it is responsible for the group’s system of internal control and for safeguarding the assets of the group and hence for taking reasonable steps for the protection and detection of fraud and other irregularities.

MANAGEMENT BOARD REPORT

The Management Board procures the services of an independent Internal Auditor, to provide it with an objective evaluation and opinion on the overall adequacy and effectiveness of the group's risk management and internal control.

The Internal Audit Plan is approved annually by the Audit and Risk Committee. The delivery of the internal audit plan is carried out by outsourced Internal Auditors and the reports are submitted to the Audit and Risk Committee for approval. Progress on the implementation of the recommendations is also reported to the Audit and Risk Committee on a quarterly basis. The Internal Audit plan is based on a balance of risk and systems assessments and is planned to review the system of internal control of all aspects of the group's activities. The reviews are designed to provide reasonable, but not absolute, assurance regarding the:

- reliability of the financial information presented and used by the group;
- the maintenance of proper accounting records; and
- safeguarding of the group's assets against any misuse.

The procedures that have been established which are designed to provide effective internal financial controls are:

- written financial regulations and delegated authorities;
- comprehensive systems of financial reporting including annual budgets and quarterly management accounts being reported to the Finance and Growth Committee and the Board, which shows actual performance against budget and highlighting any variances;
- internal audit reports being submitted to the Audit and Risk Committee, also the progress on the implementation of the recommendations;
- clearly defined management and reporting structures;
- annually revised five-year Business Plan incorporating financial forecasts and
- annually revised thirty-year financial forecast, required by the Welsh Government, submitted to them annually, which extrapolates the financial direction of the group

Corporate Governance

The Grŵp Cynefin Management Board directs the actions of the association in accordance with its objectives and rules and has the prime responsibility for the governance structure of the group.

Amongst its functions shall be:

- defining and ensuring compliance with the organisation's values and strategic objectives
- establishing a framework for approving strategies, policies and plans to achieve those objectives
- satisfying itself as to the integrity of financial information and approving annual budgets and accounts and business plans
- establishing and monitoring a framework for delegation and systems of internal control which are reviewed annually
- establishing a framework for the identification, management and reporting of risk
- taking decisions and agreeing policies on all matters that might create a significant financial or other risk to the organisation or that raise significant issues of principle
- establishing mechanisms for communication and receiving feedback from the organisation's stakeholders and shareholders
- monitoring the organisation's performance and taking timely corrective action if required
- taking overall responsibility for self-assessment and other responsibilities as part of implementing the regulatory framework
- ensuring that the association takes account of any undertaking given by the association to the regulator, or intervention or obligation imposed upon the association by the regulator.
- appointing, managing and dismissing the Chief Executive, or Corporate Directors
- satisfying itself that the organisation's affairs are conducted lawfully and with probity
- establishing a code of conduct for the Management Board
- establishing and operating induction and development programmes and performance appraisal system for the Management Board, and its Sub-committees, the Chair, Vice Chair, and individual Board members
- assuring the effectiveness of governance on a regular basis

MANAGEMENT BOARD REPORT

On the 24th May 2018 the Management Board approved that a maximum of 12 members could be elected for a term of three years by the shareholders at the Annual General Meeting of the Association, prior to this, 10 was the maximum number of members. Members are allowed to serve on the Management Board for a maximum period of nine years (three terms) in line with Community Housing Cymru's Governance Code, which has been formally adopted.

The Management Boards of the subsidiaries include appointments by Grŵp Cynefin (in the minority) and independent members elected by the shareholders of the subsidiary for a term of three years.

The Grŵp Cynefin Management Board has set up five sub-committees, namely:

- Audit and Risk Committee - consisting of members of the Management Boards of Grŵp Cynefin, Canllaw, Gofal a Thrwsio Conwy a Sir Ddinbych and independent members with knowledge and experience relevant to the Committee's remit.
- Finance and Growth Committee (operational from September 2019) - consisting of members of the Management Boards of Grŵp Cynefin, Canllaw (Eryri) Cyf and Gofal a Thrwsio Conwy a Sir Ddinbych; and independent members with knowledge and experience relevant to the Committee's remit.
- Customers and Communities Committee - consisting of members of the Grŵp Cynefin Management Board, tenant members and independent members with knowledge and experience relevant to the Committee's remit.
- Gorwel Committee – consisting of members of the Grŵp Cynefin Management Board and independent members with knowledge and experience relevant to the Committee's remit.
- Governance Management Committee (operational from September 2019 and is an amalgamation of two previous Committees) – consisting of the Chairs of each group Management Board and each Committee, and other Management Board members as necessary

Group Structure

Grŵp Cynefin is the parent body of two active subsidiaries, namely 'Canllaw (Eryri) Cyf' and 'Gofal a Thrwsio Conwy a Sir Ddinbych'. It is also a parent to a dormant company called 'Cywaith Cyf'.

Canllaw is a company limited by guarantee registered with the Charity Commission and the Welsh Government: the company's main activity is managing the Gwynedd and Anglesey Care & Repair agency which organises essential adaptations and minor repairs in the homes of older people, both homeowners and private tenants, so that they can live safely and independently.

Gofal a Thrwsio Conwy a Sir Ddinbych was formed in 2015 by the merger of the Care and Repair agencies in both counties. The new entity is a company limited by guarantee and registered with the Charity Commission.

A detailed Inter-Group Agreement explains the rights and obligations of the parent body and the subsidiaries to each other and the corporate relationship between them. Grŵp Cynefin does not intend to exercise close operational control over the subsidiaries, but in general, advice will be provided on best practice and adoption of policies. Grŵp Cynefin monitors performance and audits the activities of the subsidiaries. Usually, financial control is exercised by the approval of the subsidiaries' Business Plans, and through treasury management and budget monitoring.

Each member of the group must consider the impact of its own actions on other group members, where appropriate, to ensure efficient operations and maximise opportunities.

Subsidiary Companies

Canllaw (Eryri) Cyfyngedig remained as a subsidiary during the year. Canllaw operates as a Care and Repair agency across Anglesey and Gwynedd.

Gofal a Thrwsio Conwy a Sir Ddinbych has also remained as a subsidiary during the year. Gofal a Thrwsio Conwy a Sir Ddinbych operates as a Care and Repair agency across Conwy and Denbighshire.

The third subsidiary, Cywaith Cyfyngedig has remained as a dormant company throughout the year.

Further information regarding the status of these companies is listed in note 30.

MANAGEMENT BOARD REPORT

Changes in Fixed Assets

Details of fixed assets are set out in notes 12 to 16 of the financial statements.

Reserves

The movement in the group and the association's reserves can be seen in the Statement of Changes in Reserves.

STATEMENT OF BOARD RESPONSIBILITIES

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the parent association and the group and of the Statement of Comprehensive Income for that period. In preparing these financial statements, the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, (subject to any material departures disclosed and explained in the financial statements); and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2016. The board is also responsible for maintaining an adequate system of internal control and safeguarding the assets of the group and hence for taking reasonable steps for the protection and detection of fraud and other irregularities.

In so far as the Management Board is aware:

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

Grŵp Cynefin's Annual General Meeting will be held on the 24th September 2020 partly at its Tŷ John Glyn Office in Denbigh, and virtually over 'Zoom'. At this meeting, the Association's 2019/20 Annual Report will be presented for adoption.

AUDITOR

A resolution to re-appoint Beever & Stuthers as the Group's auditor will be proposed at the Annual General Meeting.

By order of the Management Board



Secretary

16th September 2020

GRŴP CYNEFIN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRŴP CYNEFIN

OPINION

We have audited the financial statements of Grŵp Cynefin (the 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Group and the parent association Statements of Comprehensive Income, the Group and the parent association Statements of Financial Position, the Group Statements of Cash Flows and the Group and the parent association Statements of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent association's affairs as at 31 March 2020 and of the group's and the parent association's surplus 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 the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Grŵp Cynefin in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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 Report and Financial Statements, 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.

We have reviewed the Board's statement on Grŵp Cynefin's compliance with the Welsh Government circular RSL 02/10 'Internal controls and reporting'. We are not required to express an opinion on the effectiveness of Grŵp Cynefin's system of internal control.

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

GRŴP CYNEFIN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRŴP CYNEFIN

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 other matters prescribed by the Welsh Government circular RSL 02/10 'Internal controls and reporting'

In our opinion, based on the work undertaken in the course of the audit, with respect to the Board's statement on internal control:

- the Board has provided the disclosures required by the Welsh Government circular RSL 02/10 'Internal controls and reporting'; 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 in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 17, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the group's and the parent association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the group or the parent association or to cease operations, or have 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.

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

GRŴP CYNEFIN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRŴP CYNEFIN

Use of the audit report

This report is made solely to the association's members, as a body, in accordance with section 87 of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

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

Date: 24 September 2020

GRŴP CYNEFIN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 March 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
TURNOVER	3		<u>28,319</u>		<u>26,006</u>
Operating expenditure		(23,290)		(20,880)	
Cost of Sales		(379)		(192)	
Gain on disposal of property, plant and equipment		285		170	
	3		<u>(23,384)</u>		<u>(20,902)</u>
OPERATING SURPLUS	10		4,935		5,104
Loss on revaluation of investment properties	15		-		(59)
Share of loss in joint venture	16		(3)		(17)
Interest receivable	8		20		19
Refinancing costs	9		-		(598)
Interest and financing costs	9		(3,581)		(2,766)
SURPLUS BEFORE TAX			<u>1,371</u>		<u>1,683</u>
Taxation	11		(31)		-
SURPLUS FOR THE YEAR			<u>1,340</u>		<u>1,683</u>
Other comprehensive income			4,272		(5,247)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			<u><u>5,612</u></u>		<u><u>(3,564)</u></u>

GRŴP CYNEFIN

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 March 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
TURNOVER	3a		<u>26,046</u>		<u>24,107</u>
Operating expenditure		(21,134)		(19,001)	
Cost of sales		(379)		(192)	
Gain on disposal of property, plant and equipment		285		170	
	3a		<u>(21,228)</u>		<u>(19,023)</u>
OPERATING SURPLUS	10		4,818		5,084
Loss on revaluation of investment properties	15		-		(59)
Interest receivable	8		18		16
Refinancing fees	9		-		(598)
Interest and financing costs	9		(3,564)		(2,751)
			<u>1,272</u>		<u>1,692</u>
SURPLUS BEFORE TAX			1,272		1,692
Taxation	11		(31)		-
SURPLUS FOR THE YEAR			<u>1,241</u>		<u>1,692</u>
Other comprehensive income			3,908		(4,789)
			<u>5,149</u>		<u>(3,097)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			<u><u>5,149</u></u>		<u><u>(3,097)</u></u>

GRŴP CYNEFIN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

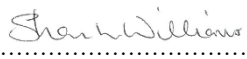
At 31 March 2020

	Note	2020 £'000	2019 £'000
FIXED ASSETS			
Intangible assets	12	748	586
Housing properties	13	286,271	279,153
Other property, plant and equipment	14	10,818	10,707
Investment properties	15	-	380
Investments	16	29,963	29,174
		327,800	320,000
CURRENT ASSETS			
Stock	17	1,871	867
Debtors	18	12,810	12,290
Investments	19	1,258	1,781
Cash		6,580	1,793
		22,519	16,731
CREDITORS: amounts falling due within one year	20	(13,949)	(17,530)
NET CURRENT ASSETS / (LIABILITIES)		8,570	(799)
TOTAL ASSETS LESS CURRENT LIABILITIES		336,370	319,201
CREDITORS: amounts falling due after more than one year	21	(303,222)	(287,059)
Provision for additional property sale costs		(205)	-
Defined benefit pension liability	28	(3,685)	(8,496)
NET ASSETS		29,258	23,646
CAPITAL AND RESERVES			
Called-up share capital	25	-	-
Revenue reserve		29,250	23,638
Restricted reserve		8	8
TOTAL RESERVES		29,258	23,646

These financial statements were approved by the Management Board on 16th September 2020

Signed on its behalf by:

.....  Management Board Member

.....  Office

.....  Management Board Member

GRŴP CYNEFIN

ASSOCIATION STATEMENT OF FINANCIAL POSITION


At 31 March 2020

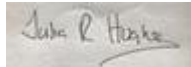
	Note	2020 £'000	2019 £'000
FIXED ASSETS			
Intangible assets	12	748	586
Housing properties	13	286,271	279,153
Other property, plant and equipment	14a	10,781	10,676
Investment properties	15	-	380
Investments	16	30,994	30,202
		328,794	320,997
CURRENT ASSETS			
Stock	17	1,820	864
Debtors	18	12,536	12,222
Investments	19	1,258	1,781
Cash		5,989	926
		21,603	15,793
CREDITORS: amounts falling due within one year	20	(13,827)	(17,332)
NET CURRENT ASSETS / (LIABILITIES)		7,776	(1,539)
TOTAL ASSETS LESS CURRENT LIABILITIES		336,570	319,458
CREDITORS: amounts falling due after more than one year	21	(303,222)	(287,059)
Provision for additional property sale costs		(205)	-
Defined benefit pension liability	28	(3,369)	(7,774)
NET ASSETS		29,774	24,625
CAPITAL AND RESERVES			
Called-up share capital	25	-	-
Revenue reserve		29,774	24,625
Restricted reserve		-	-
TOTAL RESERVES		29,774	24,625

These financial statements were approved by the Management Board on 16th September 2020

Signed on its behalf by:

.....  Management Board Member

.....  Officer

.....  Management Board Member

GRŴP CYNEFIN

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

At 31 March 2020

	Hardship Fund (restricted) £'000	Revenue Reserve £'000	Total 2020 £'000
At 1 April 2019	8	23,638	23,646
Surplus for the year	-	1,340	1,340
Other comprehensive income			
• Actuarial gains	-	4,272	4,272
	<hr/>	<hr/>	<hr/>
Reserves at 31 March 2020	8	29,250	29,258
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Hardship Fund (restricted) £'000	Revenue Reserve £'000	Total 2019 £'000
At 1 April 2018	8	27,202	27,210
Surplus for the year	-	1,683	1,683
• Initial recognition of multi-employer defined benefit scheme (SHPS)	-	(4,054)	(4,054)
• Actuarial losses	-	(1,193)	(1,193)
	<hr/>	<hr/>	<hr/>
Reserves at 31 March 2019	8	23,638	23,646
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

GRŴP CYNEFIN

ASSOCIATION STATEMENT OF CHANGES IN RESERVES

At 31 March 2020

	Revenue Reserve £'000	Total 2020 £'000
At 1 April 2019	24,625	24,625
Surplus for the year	1,241	1,241
Other comprehensive income		
• Actuarial losses	3,908	3,908
	29,774	29,774
Reserves at 31 March 2020	29,774	29,774

	Revenue Reserve £'000	Total 2019 £'000
At 1 April 2018	27,722	27,722
Surplus for the year	1,692	1,692
Other comprehensive income		
• Initial recognition of multi-employer defined benefit scheme (SHPS)	(3,731)	(3,731)
• Actuarial losses	(1,058)	(1,058)
	24,625	24,625
Reserves at 31 March 2019	24,625	24,625

GRŴP CYNEFIN

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	28	3,728	6,971
Cash flows from investing activities			
Purchase and construction of housing properties		(10,509)	(20,586)
Sale of housing properties		826	456
Social housing grant received		3,771	5,000
Purchase of other fixed assets		(640)	(979)
Component replacements		(538)	(723)
Sale of other fixed assets		637	63
Other fixed assets grant disposals		1,041	(112)
Investments		(662)	(625)
Investment in Low cost home ownership loans		(130)	(724)
Interest received		20	19
		(6,183)	(18,211)
Net cash from investing activities			
Cash flows from financing activities			
Loans received		14,425	38,978
Repayment of borrowings		(4,260)	(28,676)
Refinancing costs		-	(391)
Interest paid		(3,446)	(2,237)
		6,719	7,674
Net cash from financing activities			
Net increase / (decrease) in cash and cash equivalents		4,264	(3,566)
Cash and cash equivalents at the beginning of year		3,574	7,140
		7,838	3,574
Cash and cash equivalents at end of year			

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

1. 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 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 2018 (SORP), and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis of consolidation

The Group financial statements consolidate the financial statements of the parent Association and its subsidiary undertakings drawn up to 31 March each year.

Acquisitions

Business combinations that are considered to be acquisitions are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Public benefit entity combinations

Combinations carried out at nil consideration are accounted for so that any excess of fair value of the assets received over the fair value of the liabilities assumed is recognised as income within the Statement of Comprehensive Income.

Joint venture

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method. In the parent Association financial statements investments in joint ventures are accounted for at cost less impairment and dividends receivable. The Group assesses at each reporting date whether there is any indication of impairment.

Government grants received in respect of investments in the Welsh Housing Partnership and the properties leased are accounted for on the basis that they have provided by the government to fund part of the investment in the Partnership joint venture. It is considered that the Group will only realise the benefit of the grant if and when the investment is redeemed. On receipt of the grant, this is a government grant received in advance and therefore recognised as deferred income in the Statement of Financial Position up until the point the related Investment is redeemed.

Property, plant and equipment - housing properties

Housing properties are stated at cost or valuation 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 in order 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.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2020**

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:

	Years
Main structure	150
Other components:	
Kitchens	15
Bathrooms	25
Roof	70
Windows	25
External doors	25
Heating - boilers	13
Heating – wet systems	25
Electrics	30

Components on leasehold land are depreciated over the shortest of the above and the remaining lease term. Freehold land is not depreciated.

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are added to the carrying amount of the property. Any works to housing properties that 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.

Non-housing property, plant and equipment

Non-housing property, plant and equipment are 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 straight-line basis over its expected useful life, as follows:

	Years
Office equipment & furniture	5
Computer hardware and software	4
Motor vehicles	3

Other various equipment charged through services charges are depreciated at different rates according to their type.

Intangible assets

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

Housing software	10 year
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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 or social purposes are treated as property plant and equipment. Mixed-use property is separated between investment property and property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

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.

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 amount, 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

Government grants are recognised using the accrual model and are classified as either 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 housing property structure. 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

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 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.

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.

HomeBuy

HomeBuy loans meet the definition of a public benefit entity concessionary loan and are recognised in the Statement of Financial Position at the amount paid. HomeBuy grants provided by the Welsh Government to fund all or part of a HomeBuy loan provided by the Group to the purchaser of the housing property are government grants received in advance and recognised as deferred income in the Statement of Financial Position up until the point the related HomeBuy loan is redeemed. When the HomeBuy loan is redeemed, the respective HomeBuy grant is recognised in the recycled capital grant fund.

Shared ownership property sales

Shared ownership properties, 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.

Rent to Own and Shared ownership Rent to Own

Rent to Own properties, including those under construction, are initially accounted for as non-current assets. Twenty five percent of the rent is treated as current assets and the remainder is treated as rent. If the option to purchase the property is exercised, then the value accrued within current assets is transferred to the tenant to be utilised as a deposit, and the property is sold to the tenant at the Current Market Value. If at the end of the five years the tenant decides not to take the option then the amount accrued in current assets is then recognised as rental income in the Statement of Comprehensive income.

Shared ownership Rent to Own is accounted for by combining the principles of Shared Ownership, whereby the amount that is rented to the tenant is treated as Rent to Own.

Restricted reserves

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

Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

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.

Interest payable

Borrowing costs are 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.

Taxation

Grŵp Cynefin is treated as a charitable organisation for tax purposes. This was confirmed by HM Revenue & Customs (HMRC) on 11 March 2005, ref no XR85179. Consequently, the surpluses derived from primary activities are exempt from taxation. This treatment is reviewed annually in line with the activities undertaken by the organisation to ensure the exemption still applies.

Pensions

Grŵp Cynefin and Canllaw (Eryri) Cyf participate in the Social Housing Pension Scheme (SHPS), which is a multi-employer pension scheme. Gofal a Thrwsio Conwy a Sir Ddinbych participate in a Defined Contributions scheme with NEST.

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

The Group participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions ('TPT').

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

Defined contribution scheme

The Group 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 rents and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as shared ownership properties together with revenue grants from Welsh Government and local authorities.

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.

Financial instruments

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

After initial recognition, they are measured at amortised cost using the effective interest method. At the reporting date, the effect of discounting is not material to the value of the financial assets of Grŵp Cynefin, therefore discounting is omitted.

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.

Financial liabilities carried at amortised cost

Financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Loans, which are classified as basic financial instruments under FRS102, are measured at amortised cost using the effective interest method, with interest and 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

2. SIGNIFICANT MANAGEMENT JUDGEMENTS 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 judgements

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

Impairment of social housing properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. An assessment has been made to consider the fair value of the social housing properties as they will need to be reconsidered in light of the COVID-19 pandemic and the potential impact this will have on these valuations, their future cash flows and service potential.

Categorisation of investment properties

Property assets are classified as investment property or property, plant and equipment depending on the intended use of the property. In determining the intended use of each property, management considers various factors in making this judgement such as whether the asset is held for social benefit at below a market rent for the wider benefit of the community and whether the properties are subsidised and operated at a loss in order to continue providing a service. The accounting treatment will be different depending upon the categorisation.

Capitalisation of housing property & other development costs

The Group capitalises development expenditure in accordance with the accounting policy on housing properties and other fixed assets. The capitalisation requires a range of judgements, such as setting the period over which interest can be capitalised, calculating the amount of staff time and overheads which should be capitalised and establishing which associated development costs should be capitalised and which costs should be written off. Judgement is also exercised over the likelihood that projects will continue.

Estimation uncertainty

The Group 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.

Defined benefit pension scheme

The Group 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 and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Variations in these assumptions could significantly impact the liability (see note 27)

Valuation of investment properties

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

The Group carries its investment properties at fair value and engages independent valuers to determine fair value using a valuation technique based on a discounted cash flow model. The calculated fair value of the investment properties therefore uses assumptions, of which the most sensitive relate to the estimated yield and the long-term vacancy rate.

Components of housing properties and useful lives

Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Group considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

GRŴP CYNEFIN

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2020

3. CONSOLIDATED TURNOVER AND OPERATING COSTS

	2020			2019		
	Turnover	Operating Costs	Operating Surplus/(deficit)	Turnover	Operating Costs	Operating Surplus/(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure on lettings (Note 4)	23,237	(17,716)	5,521	21,533	(15,681)	5,852
Income and expenditure on Property sales	-	(379)*	(379)	-	(192)*	(192)
Other income and expenditure						
Affordable homes team	38	(470)	(432)	39	(423)	(384)
Conwy Homeless Scheme	33	(33)	-	32	(32)	-
Development services	-	(504)	(504)	8	(557)	(549)
Gorwel	1,688	(1,657)	31	1,564	(1,557)	7
Conwy Bus Project	59	(59)	-	60	(58)	2
HWB	100	(99)	1	90	(93)	(3)
Rural Housing Enablers	130	(130)	-	127	(116)	11
Other Income and Expenditure	560	(243)	317	527	(307)	220
Community Chest	-	-	-	3	(22)	(19)
Enterprise Centre	54	(85)	(31)	58	(90)	(32)
Energy Wardens	54	(45)	9	66	(65)	1
Y Shed, Meliden	93	(93)	-	-	-	-
Gain on disposal of property, plant and equipment	-	285	285	-	170	170
Canllaw (Eryri) Cyf	1,057	(992)	65	858	(827)	31
Gofal a Thrwsio Conwy a Sir Ddinbych	1,216	(1,164)	52	1,041	(1,052)	(11)
Total	28,319	(23,384)	4,935	26,006	(20,902)	5,104

* Expenditure in relation to property sales are stated as cost of sales within the Statement of Comprehensive Income rather than operating costs.

GRŴP CYNEFIN

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2020

3a ASSOCIATION TURNOVER AND OPERATING COSTS

	Turnover	2020 Operating Costs	Operating Surplus/(deficit)	Turnover	2019 Operating Costs	Operating Surplus/(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure on lettings (Note 4)	23,237	(17,716)	5,521	21,533	(15,681)	5,852
Income and expenditure on Property sales	-	(379)	(379)	-	(192)*	(192)
Other income and expenditure						
Affordable homes team	38	(470)	(432)	39	(423)	(384)
Conwy Homeless Scheme	33	(33)	-	32	(32)	-
Development services	-	(504)	(504)	8	(557)	(549)
Gorwel	1,688	(1,657)	31	1,564	(1,557)	7
Conwy Bus Project	59	(59)	-	60	(58)	2
HWB	100	(99)	1	90	(93)	(3)
Rural Housing Enablers	130	(130)	-	127	(116)	11
Other Income and Expenditure	560	(243)	317	527	(307)	220
Community Chest	-	-	-	3	(22)	(19)
Enterprise Centre	54	(85)	(31)	58	(90)	(32)
Energy Wardens	54	(45)	9	66	(65)	1
Y Shed, Meliden	93	(93)	-	-	-	-
Gain on disposal of property, plant and equipment	-	285	285	-	170	170
Total	26,046	(21,228)	4,818	24,107	(19,023)	5,084

* Expenditure in relation to property sales are stated as cost of sales within the Statement of Comprehensive Income rather than operating costs

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

4. TURNOVER FROM LETTINGS

	General Needs £'000	Supported Housing £'000	2020 Total £'000	2019 Total £'000
Rents	17,924	1,520	19,444	18,142
Service charge	1,246	115	1,361	1,127
	<u>19,170</u>	<u>1,635</u>	<u>20,805</u>	<u>19,269</u>
Amortisation of grant	2,238	194	2,432	2,264
Total income	<u>21,408</u>	<u>1,829</u>	<u>23,237</u>	<u>21,533</u>
Operating costs of lettings				
Services	1,322	130	1,452	1,133
Management	3,358	625	3,983	3,778
Day-to-day maintenance	4,145	348	4,493	4,293
Planned maintenance	2,757	281	3,038	2,317
Community development	739	44	783	716
Depreciation of housing properties	3,272	274	3,546	3,290
Impairment	28	72	100	-
	<u>15,621</u>	<u>1,774</u>	<u>17,395</u>	<u>15,527</u>
Losses from bad debts	<u>321</u>	<u>-</u>	<u>321</u>	<u>154</u>
Total expenditure	<u>15,942</u>	<u>1,774</u>	<u>17,716</u>	<u>15,681</u>
Operating surplus	<u>5,466</u>	<u>55</u>	<u>5,521</u>	<u>5,852</u>
Void Losses	<u>161</u>	<u>26</u>	<u>187</u>	<u>193</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

5. UNITS UNDER MANAGEMENT

As at the end of the year, the group had the following number of properties under management:

	2020	2019
	No.	No.
General needs rented units (including social rented, intermediate rented and 'try before you buy')	3,375	3,332
Supported housing rented units	327	323
Extra care units	145	145
Shared ownership units: rented	23	24
Welsh Housing Partnership units	121	104
Rent to Own	10	7
Managed on behalf of the Charity Elizabeth Owen	7	7
Managed on behalf of the Charity Tai Ellen Glynne	10	10
Managed on behalf of others	7	7
	<u>4,025</u>	<u>3,959</u>

6. DIRECTORS' EMOLUMENTS

The emoluments paid to the highest paid officer, namely the Chief Executive Officer (Shan Ll. Williams), were £98k excluding pension contributions (2019- £93k). The pension for the Chief Executive (who was an ordinary member of the pension scheme) is on the same basis as for all other employees and amounts to £7,873 (2019 - £7,420).

The number persons within the Leadership Team, including the highest paid, who received emoluments (excluding pension contributions) in the following range was:

	2020	2019
	£'000	£'000
£10,001 - £20,000	-	-
£40,001 - £50,000	-	-
£50,001 - £60,000	2	2
£60,001 - £70,000	-	-
£70,001 - £80,000	3	3
£80,001 - £90,000	-	-
£90,001 - £100,000	1	1
	<u>1</u>	<u>1</u>

The Leadership Team's emoluments and pension:

	2020	2019
	£'000	£'000
Wages and salaries	446	444
Social security costs	52	52
Pension	42	24
	<u>520</u>	<u>520</u>

During the year Grŵp Cynefin made the option available for their employees to reduce their earnings by an amount equal to their pension contributions by using salary sacrifice. This explains the larger variation in the pension contributions in comparison that of wages, salaries and social security costs.

GRŴP CYNEFIN

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

During the year fees of £15,212 were paid to the Management Board members (2019 – nil). In accordance with the Welsh Federation of Housing Associations (WHFHA) Code of Conduct, the Board has established a policy and procedure in relation to the payment of expenses to Board members. The Association is prepared to reimburse out of pocket expenses incurred on Association business.

	2020	2019
	£'000	£'000
Total Management Board member expenses claimed	4	4
	<u>4</u>	<u>4</u>

7. EMPLOYEE INFORMATION

The average number of persons, full time equivalent, (including senior executives) employed during the year:

	Group	Group	Association	Association
	2020	2019	2020	2019
	No.	No.	No.	No.
Administrative staff	220	211	192	183
Wardens	7	6	7	6
Workforce	17	16	6	6
	<u>244</u>	<u>233</u>	<u>205</u>	<u>195</u>
Staff costs were as follows:	£'000	£'000	£'000	£'000
Wages and salaries	7,115	6,504	6,024	5,534
Social security costs and levy	612	584	510	496
Pension contributions	223	203	178	166
Actuarial adjustments	71	242	71	242
	<u>8,021</u>	<u>7,533</u>	<u>6,783</u>	<u>6,438</u>

GRŴP CYNEFIN

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

8. INTEREST RECEIVABLE

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Interest on bank and money market accounts	19	18	17	15
Other interest	1	1	1	1
	<u>20</u>	<u>19</u>	<u>18</u>	<u>16</u>

9. INTEREST PAYABLE

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Interest on loans	3,549	2,860	3,549	2,860
Interest capitalised	(305)	(562)	(305)	(562)
Interest paid on defined benefit pension liability	192	191	175	176
Other finance charges	145	277	145	277
	<u>3,581</u>	<u>2,766</u>	<u>3,564</u>	<u>2,751</u>

10. OPERATING SURPLUS

The operating surplus is stated after charging the following:

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Depreciation – assets owned by the Association	3,866	3,590	3,325	3,500
Amortisation – capitalised grants	(2,431)	(2,264)	(2,431)	(2,264)
External auditor's remuneration (including VAT):				
- In their capacity as auditors	26	19	22	19
- Other services	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

11. CORPORATION TAX

Parent Association

Certain activities within Grŵp Cynefin is liable to UK Corporation Tax although it has charitable status with HMRC, and is entitled to the exemptions afforded by Section 505 of the Income and Corporation Taxes Act 1988.

Subsidiary entities

Certain activities within Canllaw (Eryri) Cyfyngedig and Gofal a Thrwsio Conwy a Sir Ddinbych are liable to UK Corporation Tax, although they are exempt charities entitled to the exemptions afforded by Section 505 of the Income and Corporation Taxes Act 1988.

Cywaith Cyfyngedig is a dormant company and would be liable to UK Corporation Tax as it is a registered company.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

12. FIXED ASSETS – INTANGIBLE ASSETS

	Group and Association	
	Housing Software £'000	Total £'000
Cost		
At 1 April 2019	748	748
Addition	248	248
At 31 March 2020	<u>996</u>	<u>996</u>
Depreciation		
At 1 April 2019	162	162
Charge for the year	86	86
At 31 March 2020	<u>248</u>	<u>248</u>
Net book value		
At 31 March 2020	<u>748</u>	<u>748</u>
At 31 March 2019	<u>586</u>	<u>586</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

13. TANGIBLE FIXED ASSETS
HOUSING PROPERTIES – GROUP AND ASSOCIATION

	Rented housing		Shared o'ship	Leased properties		Total
	Completed schemes	Schemes under construction		Completed Schemes	Long lease	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2019	285,028	12,987	3,966	9,672	72	311,725
Additions	-	10,509	-	-	-	10,509
Schemes completed during the year	8,920	(8,920)	-	-	-	0
Component additions to existing properties	801	-	11	13	-	825
Components removed	(279)	-	(3)	(6)	-	(288)
Disposals	(642)	-	(33)	-	-	(675)
At 31 March 2020	293,828	14,576	3,941	9,679	72	322,096
Depreciation						
At 1 April 2019	29,668	-	667	2,174	63	32,572
Charge for the year	3,286	-	43	172	1	3,502
Components removed	(209)	-	(2)	(4)	-	(215)
Disposals	(129)	-	(5)	-	-	(134)
Impairment	100	-	-	-	-	100
At 31 March 2020	32,716	0	703	2,342	64	35,825
Net book value						
At 31 March 2020	261,112	14,576	3,238	7,337	8	286,271
At 31 March 2019	255,360	12,987	3,299	7,498	9	279,153

The additions to housing properties include capitalised development staff expenditure of £453K (2019 - £490K) and capitalised interest expenditure of £305K (2019 - £562K). The cost of component additions includes capitalised staff costs of £70K (2019 £120K).

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

14. CONSOLIDATED TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS

	Freehold offices and Community Buildings £'000	Furniture and equipment £'000	Housing capital £'000	Computer equipment £'000	Leasehold office £'000	Motor vehicles £'000	Service charge equipment £'000	Total £'000
Cost								
At 1 April 2019	10,914	669	35	2,211	64	248	103	14,244
Additions	244	7	-	102	-	12	27	392
Disposals	-	(84)	-	(539)	-	(14)	-	(637)
At 31 March 2020	<u>11,158</u>	<u>592</u>	<u>35</u>	<u>1,774</u>	<u>64</u>	<u>246</u>	<u>130</u>	<u>13,999</u>
Depreciation								
At 1 April 2019	605	638	35	1,920	64	234	41	3,537
Charge for the year	113	15	-	129	-	9	12	278
Disposals	-	(84)	-	(536)	-	(14)	-	(634)
At 31 March 2020	<u>718</u>	<u>569</u>	<u>35</u>	<u>1,513</u>	<u>64</u>	<u>229</u>	<u>53</u>	<u>3,181</u>
Net book value								
At 31 March 2020	<u>10,440</u>	<u>23</u>	<u>-</u>	<u>261</u>	<u>-</u>	<u>17</u>	<u>77</u>	<u>10,818</u>
At 31 March 2019	<u>10,309</u>	<u>31</u>	<u>-</u>	<u>291</u>	<u>-</u>	<u>14</u>	<u>62</u>	<u>10,707</u>

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NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2020

14 a. ASSOCIATION TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS

	Freehold offices and Community Buildings £'000	Furniture and equipment £'000	Housing capital £'000	Computer equipment £'000	Leasehold office £'000	Motor vehicles £'000	Service charge equipment £'000	Total £'000
Cost								
At 1 April 2019	10,914	568	35	2,173	64	212	103	14,069
Additions	244	1	-	99	-	-	27	371
Disposals	-	(71)	-	(539)	-	-	-	(610)
At 31 March 2020	<u>11,158</u>	<u>498</u>	<u>35</u>	<u>1,733</u>	<u>64</u>	<u>212</u>	<u>130</u>	<u>13,830</u>
Depreciation								
At 1 April 2019	605	564	35	1,886	64	198	41	3,393
Charge for the year	113	2	-	127	-	9	12	263
Disposals	-	(71)	-	(536)	-	-	-	(607)
At 31 March 2020	<u>718</u>	<u>495</u>	<u>35</u>	<u>1,477</u>	<u>64</u>	<u>207</u>	<u>53</u>	<u>3,049</u>
Net book value								
At 31 March 2020	<u>10,440</u>	<u>3</u>	<u>-</u>	<u>256</u>	<u>-</u>	<u>5</u>	<u>77</u>	<u>10,781</u>
At 31 March 2019	<u>10,309</u>	<u>4</u>	<u>-</u>	<u>287</u>	<u>-</u>	<u>14</u>	<u>62</u>	<u>10,676</u>

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

15. TANGIBLE FIXED ASSETS - INVESTMENT PROPERTIES

	Commercial properties Group and Association	
	2020	2019
	£'000	£'000
Valuation		
Opening balance	380	370
Transferred from tangible fixed assets	-	109
Transferred to stock	(380)	-
Disposal	-	(40)
Loss on revaluation	-	(59)
	<hr/>	<hr/>
Closing balance	<u>-</u>	<u>380</u>

16. FIXED ASSETS - INVESTMENTS

	Low cost home ownership loans (note 26)	Interest in Joint venture	Total
	£'000	£'000	£'000
Consolidated			
At 1 April 2019	25,987	3,187	29,174
Additions	918	662	1,580
Disposals	(788)	-	(788)
Share in joint venture	-	(3)	(3)
	<hr/>	<hr/>	<hr/>
At 31 March 2020	<u>26,117</u>	<u>3,846</u>	<u>29,963</u>
Association			
At 1 April 2019	25,987	4,215	30,202
Additions	918	662	1,580
Disposals	(788)	-	(788)
	<hr/>	<hr/>	<hr/>
At 31 March 2020	<u>26,117</u>	<u>4,877</u>	<u>30,994</u>

The Welsh Housing Partnership Limited (WHP) and WHP2 are joint ventures between four housing groups, Coastal Group, Hendre Group, Pobl Group and Grŵp Cynefin with the objective of providing quality residential housing at sub market rent.

The issued and paid up share capital at 31 March 2020 is as follows:

	Original WHP shares	WHP Tfr to Reserves	WHP Shares	WHP2 Shares	Equity %
Hendre Ltd (Hendre Group)	8,880	(3,989)	4,891	5,750	30%
Pennant Housing Association Ltd (Coastal Group)	8,880	(3,989)	4,891	5,750	30%
Pobl Group Limited	8,880	(3,989)	4,891	5,750	30%
Grŵp Cynefin	2,960	(1,330)	1,630	1,917	10%
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	<u>29,600</u>	<u>(13,297)</u>	<u>16,303</u>	<u>19,167</u>	<u>100%</u>

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

The WHP and WHP2 have a 31st December financial year-end and have published its latest audited financial statements for the year ended 31 December 2019. These financial statements show a loss after tax in WHP of £105K (2019 – £128K loss) for the year and a profit after tax in WHP2 of £67K (2019 – £50K loss).

During the year, Grŵp Cynefin and the associated partners within WHP invested further in WHP2 Limited (WHP2).

	WHP £'000	WHP2 £'000	Total £'000
Consolidated			
At 1 April 2019	1,916	1,271	3,187
Additions	-	662	662
Share of (loss) / profit	(10)	7	(3)
	<u>1,906</u>	<u>1,940</u>	<u>3,846</u>
At 31 March 2020	<u>1,906</u>	<u>1,940</u>	<u>3,846</u>
Association			
At 1 April 2019	2,960	1,255	4,215
Additions	-	662	662
	<u>2,960</u>	<u>1,917</u>	<u>4,877</u>
At 31 March 2020	<u>2,960</u>	<u>1,917</u>	<u>4,877</u>
Price per share (each share carries one vote)	£1	£1	£1

The current low interest rate environment is reflected in the underlying financial performance of the Company. The directors of the Company have adopted a strategy of fixing the majority of borrowings in order to make the costs more predictable and within the known income arising from the leases. As at 31 March 2020, Grŵp Cynefin had prepaid £110,154 (2019-£31,525) of lease payments to the WHP and WHP2.

No transfer was made from WHP's share capital to their reserves in their year ending 31 December 2019 (2018 – nil), at the same time no distribution was made to their shareholders (2018 – nil).

FRS 102 requires the treatment of jointly controlled entities to follow equity accounting principles in group accounts, so that the consolidated accounts show all of the activities of the group including shares in joint ventures activities. Therefore, the consolidated financial statements show investment loss of £10K (2019- £12K loss) in the Statement of Comprehensive Income comprising Grŵp Cynefin's percentage share in the Welsh Housing Partnership's loss for the year. In the same way the consolidated financial statements show investment profit of £7K (2019- £5K loss) in the Statement of Comprehensive Income comprising Grŵp Cynefin's percentage share in WHP2's profit for the year. The same amount is included as a change in the investments within the Consolidated Statement of Financial Position.

17. STOCK

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Properties for sale	1,820	864	1,820	864
Other stock	51	3	-	-
	<u>1,871</u>	<u>877</u>	<u>1,820</u>	<u>864</u>

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

18. DEBTORS: AMOUNTS RECEIVABLE WITHIN ONE YEAR

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Rent debtors: Debit balances	1,031	980	1,031	980
Bad debt provision	(1,031)	(878)	(1,031)	(878)
	<u>-</u>	<u>102</u>	<u>-</u>	<u>102</u>
Staff loans	73	74	73	74
Prepayments and accrued income	462	392	458	392
Loans to First Time Buyers from Flintshire County Council	100	100	100	100
Other debtors	12,175	11,622	11,905	11,554
	<u>12,810</u>	<u>12,290</u>	<u>12,536</u>	<u>12,222</u>

19. CURRENT ASSET INVESTMENTS

	Group and Association	
	2020 £'000	2019 £'000
Money in short-term deposit accounts	<u>1,258</u>	<u>1,781</u>

20. CREDITORS: AMOUNTS PAYABLE WITHIN ONE YEAR

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Housing loans (note 22)	1,064	2,018	1,064	2,018
Rent received in advance	261	330	261	330
Trade creditors	2,469	2,378	2,385	2,276
Capital grants in advance	5,451	8,004	5,440	8,004
Undod members	-	1	-	1
Deferred Income	218	291	218	238
Taxation and social security	195	187	191	159
Mortgage and loan interest accrued	490	667	490	667
Accruals	1,383	1,280	1,360	1,275
Client Account	-	10	-	-
Social Housing and other Government Grants (note 23)	2,418	2,364	2,418	2,364
	<u>13,949</u>	<u>17,530</u>	<u>13,827</u>	<u>17,332</u>

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

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

	Group and Association	
	2020	2019
	£'000	£'000
Right to buy reserves	83	83
Recycled capital grant fund	5,330	4,036
Conwy Council recycled grant reserve	1	1
Housing loans (note 22)	117,299	106,061
Loan from Flintshire County Council – First Time Buyer Agreement	100	100
Deferred Income	960	1,007
Social Housing and other Government grants (note 23)	179,449	175,771
	<u>303,222</u>	<u>287,059</u>

Housing loans are repayable to various building societies, banks, The Housing Finance Corporation Limited and the Affordable Housing Finance PLC. The interest rate payable and the amounts repayable are analysed below. The average interest rate payable during the year was 3.39% (2019 – 3.49%). Security offered for the loans is housing land and buildings.

22. ANALYSIS OF HOUSING LOANS

	Group and Association	
	2020	2019
	£'000	£'000
The debt is repayable as follows:		
Due between one and two years	10,756	1,698
Due between two and five years	14,714	16,317
After five years	93,065	89,327
Loan fees	(1,236)	(1,281)
	<u>117,299</u>	<u>106,061</u>
Due within one year (note 20)	1,064	2,018
	<u>118,363</u>	<u>108,079</u>

GRŴP CYNEFIN

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

23. GOVERNMENT GRANTS

Group and Association

	Housing Properties £'000	Other Fixed Assets £'000	Investments £'000	Total £'000
Deferred income - Grants				
At 1 April 2019	173,103	3,915	28,358	205,376
Grants receivable	4,874	370	1,660	6,904
Grant disposals	(529)	-	(350)	(879)
At 31 March 2020	<u>177,448</u>	<u>4,285</u>	<u>29,668</u>	<u>211,401</u>
Amortisation				
At 1 April 2019	26,982	259	-	27,241
Amortisation	2,389	42	-	2,431
Grant disposals	(138)	-	-	(138)
At 31 March 2020	<u>29,233</u>	<u>301</u>	<u>-</u>	<u>29,534</u>
Net book value				
At 31 March 2020	<u>148,215</u>	<u>3,984</u>	<u>29,668</u>	<u>181,867</u>
At 31 March 2019	<u>146,121</u>	<u>3,656</u>	<u>28,358</u>	<u>178,135</u>
Due within one year				<u>2,418</u>
Due after one year				<u>179,449</u>
		Right to Acquire		
		RCG*	RCG*	Total
		£'000	£'000	£'000
Consolidated and Association				
At 1 April 2019		4,036	83	4,119
Additions		1,920	-	1,920
		<u>5,956</u>	<u>83</u>	<u>6,039</u>
Recycled: new build		(319)	-	(319)
Recycled: homebuy		(307)	-	(307)
At 31 March 2020		<u>5,330</u>	<u>83</u>	<u>5,413</u>
Amounts three years old or older where repayment may be required				<u>1,955</u>

* RCG = Recycled Capital Grant fund

24. SHARE CAPITAL

	Group and Association	
	2020	2019
	£	£
Allotted, issued and fully paid, ordinary shares of £1 each		
At 1 April 2019	82	133
Additions	4	5
Deductions	(13)	(56)
At 31 March 2020	<u>73</u>	<u>82</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

25. CAPITAL COMMITMENTS

	Group and Association	
	2020	2019
	£'000	£'000
Expenditure contracted for but not provided for in the financial statements	7,452	11,697
Expenditure authorised but has not yet been contracted for	3,880	4,460
	11,332	16,157
	11,332	16,157

Capital commitments shown above will be funded by a combination of current resources, government grants and private finance.

Operating leases

	Group		Association	
Amounts payable in respect of leases in the following periods for:	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Office rental:				
Within 12 months	38	22	-	-
One to two years	27	11	-	-
Two to five years	81	-	-	-
	81	33	-	-
Office equipment rental:				
Within 12 months	22	7	18	1
One to two years	22	5	18	-
Two to five years	31	7	27	-
	75	19	63	1
Vehicle leases:				
Within 12 months	27	25	-	-
One to two years	17	33	-	-
Two to five years	9	31	-	-
	53	89	-	-

26. LOW COST HOME OWNERSHIP LOANS

These represent long-term loans provided to individuals purchasing properties under the 'HomeBuy Scheme'. They are mainly funded by Social Housing Grant with and the balance being funded by Grŵp Cynefin as at 31 March 2020. They become repayable on a subsequent disposal of the property.

27. PENSION

Social housing pension scheme (SHPS)

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

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

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

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

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

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

GROUP SOCIAL HOUSING PENSION SCHEME (SHPS)

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)	31 March 2020 (£000s)	31 March 2019 (£000s)
Fair value of plan assets	25,269	24,000
Present value of defined benefit obligation	28,954	32,497
Surplus (deficit) in plan	(3,685)	(8,497)

Reconciliation of opening and closing balances of the defined benefit obligation	Year ending 31 March 2020 (£000s)
Defined benefit obligation at start of period	32,497
Current service cost	71
Expenses	21
Interest expense	762
Contributions by plan participants	55
Actuarial losses (gains) due to scheme experience	389
Actuarial losses (gains) due to changes in demographic assumptions	(269)
Actuarial losses (gains) due to changes in financial assumptions	(4,166)
Benefits paid and expenses	(406)
Defined benefit obligation at end of period	28,954

Reconciliation of opening and closing balances of the fair value of plan assets	Year ending 31 March 2020 (£000s)
Fair value of plan assets at start of period	24,000
Interest income	570
Experience on plan assets (excl. amounts included in interest income) - gain (loss)	226
Contributions by the employer	824
Contributions by plan participants	55
Benefits paid and expenses	(406)
Fair value of plan assets at end of period	25,269

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £796,000.

Year ending

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

Defined benefit costs recognised in statement of comprehensive income (SOCl)	31 March 2020 (£000s)
Current service cost	71
Expenses	21
Net interest expense	192
Defined benefit costs recognised in statement of comprehensive income (SOCl)	284

Defined benefit costs recognised in other comprehensive income	Year ending 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	226
Experience gains and losses arising on the plan liabilities - gain (loss)	(389)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	269
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	4,166
Total amount recognised in other comprehensive income - gain (loss)	4,272

Assets	31 March 2020 (£000s)	31 March 2019 (£000s)
Global Equity	3,696	4,039
Absolute Return	1,318	2,076
Distressed Opportunities	487	437
Credit Relative Value	693	439
Alternative Risk Premia	1,767	1,384
Fund of Hedge Funds	15	108
Emerging Markets Debt	765	828
Risk Sharing	854	725
Insurance-Linked Securities	776	689
Property	556	540
Infrastructure	1,880	1,258
Private Debt	509	322
Opportunistic Illiquid Credit	612	-
Corporate Bond Fund	1,440	1,120
Liquid Credit	10	-
Long Lease Property	437	353
Secured Income	959	859
Liability Driven Investment	8,386	8,777
Net Current Assets	109	46
Total assets	25,269	24,000

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

Key assumptions	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.35%	2.35%
Inflation (RPI)	2.56%	3.25%
Inflation (CPI)	1.56%	2.25%
Salary Growth	2.56%	3.25%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2039	22.9
Female retiring in 2039	24.5

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 1 March 2020	Approximate % increase to employer liability	Approximate monetary amount (£'000)
0.1% decrease in real discount rate	18.67%	£688
0.1% increase in the salary increase rate	2.50%	£92
0.1% increase in CPI and RPI	12.27%	£452

ASSOCIATION SOCIAL HOUSING PENSION SCHEME (SHPS)

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)	31 March 2020 (£000s)	31 March 2019 (£000s)
Fair value of plan assets	23,261	22,088
Present value of defined benefit obligation	26,630	29,862
Surplus (deficit) in plan	(3,369)	(7,774)

Reconciliation of opening and closing balances of the defined benefit obligation	Year ending 31 March 2020 (£000s)
Defined benefit obligation at start of period	29,862
Current service cost	71
Expenses	17
Interest expense	700
Contributions by plan participants	55
Actuarial losses (gains) due to scheme experience	369
Actuarial losses (gains) due to changes in demographic assumptions	(248)
Actuarial losses (gains) due to changes in financial assumptions	(3,818)
Benefits paid and expenses	(378)
Defined benefit obligation at end of period	26,630

Reconciliation of opening and closing balances of the fair value of plan assets	Year ending 31 March 2020 (£000s)
Fair value of plan assets at start of period	22,088
Interest income	525
Experience on plan assets (excl. amounts included in interest income) - gain (loss)	211
Contributions by the employer	760
Contributions by plan participants	55
Benefits paid and expenses	(378)
Fair value of plan assets at end of period	23,261

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £736,000.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

Defined benefit costs recognised in statement of comprehensive income (SOCl)	Year ending 31 March 2020 (£000s)
Current service cost	71
Expenses	17
Net interest expense	175
Defined benefit costs recognised in statement of comprehensive income (SOCl)	<u>263</u>

Defined benefit costs recognised in other comprehensive income	Year ending 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	211
Experience gains and losses arising on the plan liabilities - gain (loss)	(369)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	248
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	3,818
Total amount recognised in other comprehensive income - gain (loss)	<u>3,908</u>

Assets	31 March 2020 (£000s)	31 March 2019 (£000s)
Global Equity	3,402	3,717
Absolute Return	1,213	1,911
Distressed Opportunities	448	402
Credit Relative Value	638	404
Alternative Risk Premia	1,627	1,274
Fund of Hedge Funds	14	99
Emerging Markets Debt	704	762
Risk Sharing	786	667
Insurance-Linked Securities	714	634
Property	512	497
Infrastructure	1,731	1,158
Private Debt	469	296
Opportunistic Illiquid Credit	563	-
Corporate Bond Fund	1,326	1,031
Liquid Credit	9	-
Long Lease Property	402	325
Secured Income	883	791
Liability Driven Investment	7,720	8,078
Net Current Assets	100	42
Total assets	<u>23,261</u>	<u>22,088</u>

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

Key assumptions	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.35%	2.35%
Inflation (RPI)	2.56%	3.25%
Inflation (CPI)	1.56%	2.25%
Salary Growth	2.56%	3.25%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2020

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2039	22.9
Female retiring in 2039	24.5

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 1 March 2020	Approximate % increase to employer liability	Approximate monetary amount (£'000)
0.1% decrease in real discount rate	18.79%	£633
0.1% increase in the salary increase rate	2.40%	£81
0.1% increase in CPI and RPI	12.41%	£418

28. CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 £'000	2019 £'000
Cash flows from operating activities		
Surplus for the financial year	1,340	1,683
Adjustments for:		
Other comprehensive income	(732)	(502)
Depreciation of property plant and equipment	3,397	3,252
Impairment of housing properties	100	-
Amortisation of grants	(2,293)	(2,235)
Surplus share in joint venture	3	17
Revaluation loss on investment property	-	59
Profit on disposal of property, plant and equipment	(285)	(170)
Refinancing costs	-	598
Interest payable	3,581	2,766
Interest receivable	(20)	(19)
Tax on surplus for the year	31	-
(Increase) / decrease in trade and other receivables	(566)	1,049
(Increase) in inventories	(1,004)	(653)
(Increase) / decrease in trade payables	207	1,126
	3,759	6,971
Cash generated from operations		
Taxation paid	(31)	-
	3,728	6,971

	2019 £'000	2020 £'000	2018 £'000	2019 £'000
Increase in cash and cash equivalents				
Cash	1,793	6,580	6,368	1,793
Investments	1,781	1,258	772	1,781
	3,574	7,838	7,140	3,574

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NET DEBT RECONCILIATION

	1 April 2019 £'000	Cash flows £'000	31 March 2020 £'000
Cash and cash equivalents			
Cash	1,793	4,787	6,580
Investments	1,781	(523)	1,258
	<u>3,574</u>	<u>4,264</u>	<u>7,838</u>
Borrowings			
Debt due within one year	(2,018)	954	(1,064)
Debt due after one year	(107,342)	(11,194)	(118,536)
	<u>(109,360)</u>	<u>(10,240)</u>	<u>(119,600)</u>
	<u><u>(105,786)</u></u>	<u><u>(5,976)</u></u>	<u><u>(111,762)</u></u>

FREE CASH FLOW

	2020 £'000	2019 £'000
Net cash generated from operating activities	3,729	3,928
Interest paid	(3,581)	(2,766)
Interest received	20	19
Taxation paid	(31)	-
Adjustments for reinvestment in existing properties		
Components replaced	(537)	(723)
Purchase of other replacement fixed assets	(14,829)	(24,986)
Component replacement grant received	-	-
	<u>(15,199)</u>	<u>(21,485)</u>
Free cash consumed before loan repayments	(15,199)	(21,485)
Loans repaid (excluding revolving credit and overdraft)	(4,260)	(28,676)
	<u><u>(19,459)</u></u>	<u><u>(50,161)</u></u>

29. RELATED PARTY TRANSACTIONS

The Association works collaboratively with a range of local authorities, other housing providers, the Betsi Cadwaladr University health board as well as numerous other organisations. In particular, the Association is part of the North Wales Housing Accelerator Group (HAG) which supports the North Wales Economic Ambitions Board with the delivery of the North Wales Growth Deal to explore larger scale development opportunities and bring strategic 'stalled' sites forward to meet the demand for affordable housing. Each of the 6 registered Social landlords who operate across North Wales had committed £15,000 (2019 - £0), as a contribution towards the cost of fees to support the HAG's exploration of available sites.

Grŵp Cynefin is also working collaboratively with Gwynedd Council, Betsi Cadwaladr University Health Board and Theatr Bara Caws community theatre company) on an exciting and innovative new health, social care, housing and community hub at Penygroes, Gwynedd. Grŵp Cynefin have purchased a site at Penygroes and the Project Board overseas four workstreams being housing and social care, health and social care, community engagement and design and development. An outline business plan for the Dyffryn Nantlle Health Project is due to be completed by the end of March 2021.

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The Association is also a shareholder in the Welsh Housing Partnership and WHP2, which is a joint venture between four housing groups, Coastal Group, Hendre Group, Pobl Group and Grŵp Cynefin.

The Association also provided rented accommodation to two tenant Management Board Members during the year. The tenancies were on normal commercial terms and the relevant Management Board Members could not use their position to their advantage. The rent payable in the year by both tenant Management Board Members came to a total of £10,359 (2019- £9,800), £20 was outstanding (2019- £626 overpaid) at the year-end.

The Association also acts as the Corporate Trustee for two Almshouse Charities; The Charity of Elizabeth Owen, Llanfair Dyffryn Clwyd and Ellen Glynne Homes, Llandwrog. The Almshouses are separate entities registered with the Charity Commission under charity numbers 237078 and 219790 respectively. All transactions with the Almshouses are conducted on an arm's length basis. Grŵp Cynefin has charged housing management services to the Almshouses during the year to the value of £6,901 (2019 - £5,708).

The financial statements of the Almshouses are not consolidated within the financial statements of Grŵp Cynefin as it is considered impracticable and would be of no real value to the Association's members, given the amounts involved. Should the Almshouses accounts of been consolidated, the amounts reflected within these financial statements would be increased as set out below:

	Elizabeth Owen £'000	Ellen Glynne £'000	Total £'000
Statement of Comprehensive Income:			
Turnover	28	43	71
Operating costs	(42)	(38)	(80)
Net surplus	(14)	5	(9)
Statement of Financial Position:			
Fixed assets	107	343	450
Current assets	127	204	331
Creditors due within 1 year	(8)	(13)	(21)
Creditors due after 1 year	(99)	-	(99)
Net assets	127	534	661
Reserves	127	534	661

30. WHOLLY OWNED SUBSIDIARY UNDERTAKINGS

The subsidiaries listed below fall under the overall control of Grŵp Cynefin:

Organisation	Status	Country of Registration	Principal Activity
Canllaw (Eryri) Cyf	Company Limited by guarantee, a registered charity and is registered with the Welsh Government.	Wales	Care and Repair Agency and a Social Enterprise
Gofal a Thrwsio Conwy a Sir Ddinbych	Company Limited by guarantee and a registered charity.	Wales	Care and Repair Agency and a Social Enterprise

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Year ended 31 March 2020

Organisation	Status	Country of Registration	Principal Activity
Cywaith Cyf	Dormant Company, Limited by guarantee.	Wales	Community Regeneration

As Cywaith Cyf is a dormant company, no significant transactions have been made by Grŵp Cynefin on its behalf.

Gofal a Thrwsio Conwy a Sir Ddinbych is not a Registered Social Landlord, and there has been no significant apportionments, recharges or allocation of turnover, costs, assets and liabilities between Grŵp Cynefin or Canllaw (Eryri) Cyf (as the Registered Social Landlord's within the group) and Gofal a Thrwsio Conwy a Sir Ddinbych. Grŵp Cynefin's net cash contribution to Gofal a Thrwsio Conwy a Sir Ddinbych amounted to £16,799 within the year-ending 31 March 2020.