



Annual Report and Financial Statements

For the year ended 31 March 2022

REPORT AND FINANCIAL STATEMENTS 2022

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LEGAL AND ADMINISTRATIVE DETAILS**REGISTERED OFFICE**

Tŷ Silyn
Ffordd Llanllyfni
Penygroes
LL54 6LY

MANAGEMENT BOARD MEMBERS

Carys Edwards	Chair
Ellen Llwyd Williams	Vice Chair
Dafydd Lewis	
Julia Hughes	
Llinos Iorwerth	
John Arthur Jones	(Resigned September 2021)
Clifton Robinson	
Chris Schoen	(Resigned September 2021)
Mike Corfield	
Jane Lewis	
John Antony Jones	
Geraint Wyn George	
Lesley Singleton	(co-opted February 2022)
Sion Wyn Fon	(co-opted February 2022)

MANAGEMENT TEAM

Shan Williams	Chief Executive	
Bryn Ellis	Group Director of Resources	
Claire Shiland	Group Director of Operations	(appointed August 2021)
Melville Evans	Group Director of Innovation and Growth	(appointed August 2021)
Dylan Roberts	Regeneration Services Director	(resigned April 2021)

COMPANY SECRETARY

Shan Williams	(resigned April 2021)
Bryn Ellis	(appointed April 2021)

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, which had a mid-term review approved by Board in March 2021, 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. Finding new ways of delivering and providing services of the highest standard to its customers.
- **Support** - Work with passion to support customers, colleagues and partners in addition to helping communities thrive.
- **Achieve** - Act professionally and use expertise to ensure the success of the group and its people. Always strive for continuous improvement and ensure value for money.
- **Respect** - Respect each other and others, promote equality and reject any prejudice.

CULTURE

The kind of culture that is encouraged throughout Grŵp Cynefin is one where the **customer is at the heart of everything** that is done, where people can **confide** in each other, where being **open and transparent** is important when making decisions, where lessons are **learnt** from mistakes in a way that doesn't seek to find fault, where being **kind** to each other is important, where **equality and diversity** is important, and all this founded on firm health and safety arrangements. Moving forward and planning for the future, Grŵp Cynefin will build on the values and culture which makes it, alongside its Management Board members, a special employer.

STRATEGIC AIMS 2019-2024

There are five strategic aims, which will help Grŵp Cynefin 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**

The Covid context

Since the start of the pandemic most of Grŵp Cynefin colleagues had been working from home, this approach had been in line with Welsh Government guidelines. However, as Covid restrictions changed a small number of colleagues started to return to the workplace on an ad hoc basis, and the Management team had a more visible presence in key office locations. In addition, a small number of colleagues were working in an office setting for most of their working week.

MANAGEMENT BOARD REPORT

In December 2021, after a consultation period with Grŵp Cynefin staff, the Group Director of Operations set out recommendations regarding the future approach to 'agile working', these comprised;

- Provide a clear 'vision' for the future of agile working
- Ensure that the working environment remains both effective, safe and attractive to current and prospective employees.
- Ensure that colleagues have the support and equipment to fulfil their roles.
- Consider customers' needs in the approach to an agile working environment.
- Continue to support colleagues' well-being to ensure an agile workforce is a productive and healthy workforce.

It is envisaged that existing office premises could be operating at approximately 30% capacity under the new agile working arrangements. Changes to operating models have been accepted by customers during the Pandemic, however it is necessary to engage with customers to establish future service delivery models and ensure that Grŵp Cynefin continue to be accessible and approachable, but to also maintain the efficiencies that agile working has provided.

DELIVERING THE GRŴP CYNEFIN STRATEGY

During 2021-22, Grŵp Cynefin delivered on its key strategic aims, and some of the highlights are demonstrated below:

Aim 1: Quality Homes:

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

This year, Grŵp Cynefin added 103 new units to its stock, disposed of 10 units, bringing the total number of units under management to 4,139 (as per note 5 of the accounts), there are also an additional 754 intermediate homes which are not included within the note, bringing the total to 4,893.

The 4,893 units are made up of the 4,122 rented units which are either owned by Grŵp Cynefin or leased from the Welsh Housing Partnership, but are also managed by Grŵp Cynefin; 754 intermediate market units ('Homebuy' and 'Shared Equity' units) in which Grŵp Cynefin has an interest, as well as 17 units which are owned by Alms House Charities, but are managed by Grŵp Cynefin. The construction of the fifth Extra Care housing scheme, Awely Dyffryn in Denbigh was completed during December 2021. Planning work also continued on the sixth Extra Care Scheme in Llys Awelon, Ruthin during 2020-21 with commencement of construction planned for June 2022, and completion February 2024.

Grŵp Cynefin also developed a group wide Sustainability Strategy during 2021-22 which was approved by the Board in February 2022. Grŵp Cynefin appointed the Carbon Trust to facilitate this work, who also facilitated consultation sessions with staff, tenants and the Leadership Team. Strategic workshops were also held with Management Board Members and presented the strategy and action plan to the Customers and Communities Committee to discuss key priorities. Grŵp Cynefin have appointed a Board Decarbonisation Champion and will establish a 'Green Group' comprising of tenants, staff and Board Members to oversee the strategy and action plan. A key strategic performance target of 4% reduction in our scope 1 & 2 Carbon emissions has been set.

Aim 2: Excellent Services

Grŵp Cynefin shall provide excellent customer service consistently across the group

Throughout 2021-22, the delivery of the Community and Tenant Participation Strategy continued by regular reporting to the Customer and Community Committee, and throughout 2021/22 the development of a new Customer Involvement Strategy has taken place through intensive consultations with both tenants and staff, facilitated by TPAS Cymru. Grŵp Cynefin also drew upon all its experience and the lessons learnt over the last decade to shape the Strategy, to ensure that tenants are at the core of its culture, and decision making. The Strategy and action Plan was presented to the Customer and Communities Committee for approval in June 2022.

The comprehensive review of the Maintenance Department continued during 2021/22, with the aim of providing a more effective, consistent service, which will improve customer satisfaction and provide a better experience for tenants. This work continues, and the ongoing development of an internal repairs and maintenance team continues. The growth plan for this team is:

- Phase 1, Year 2021-22 – recruit to existing establishment to internal workforce of 6

MANAGEMENT BOARD REPORT

- Phase 2, Year 2022/23 - increase internal workforce to 10
- Phase 3, Year 2023-25 – increase internal workforce to 13

The 'Cyswllt Cynefin' customer care team is now well established, and feedback is positive and shows that the service provided is valued. In July 2021, Grŵp Cynefin attained an accreditation for 'Excellent Customer Service', which reflects the professional, high-level customer service provided by its staff, where customers are at the core of all it does. For the next financial year, a new strategic key performance target of 90% customer satisfaction has been set.

Various communication channels have been developed for tenants, facilities such as 'live chats' on the website, and a 'Tenant's App', named 'ApCynefin' was launched in March 2021, being a portal allowing tenants to view their rent accounts, make rent payments, record and monitor their repairs and record and monitor their complaints.

Furthermore, during 2021-22, a new 'Omnichannel' customer service system was developed (and launched in May 2022) which enables customers to connect over their preferred channels, such as by phone, web chat, email or through our social media channels. Puzzel, our new omnichannel software, allows Grŵp Cynefin to manage communications from each of these channels within the same software platform. In short, it provides a single, consistent customer journey, no matter how the customer chooses to make contact.

During 2020-21, Grŵp Cynefin's Digital Transformation Strategy for 2019-2023 was approved by the Board, with a follow-up progress report presented to Board on an annual basis, the latest presented to Board in May 2022. The objectives of the Strategy include achieving data and system security improvements; allowing staff to work more efficiently and effectively and to provide Grŵp Cynefin with a modern image and increased tenant and staff satisfaction

Repairing and improving homes Key Performance Indicators:

	2022	2021
Repairs completed within target time	84%	84%
Emergency work completed within 24 hours	98%	98%

Grŵp Cynefin ended the year with 99.9% Gas Safety compliance.

Letting and managing property:

During the period April – March 2022, 319 properties were let, 72 new lets and 247 re lets.

During the same period last year and due to Covid restrictions we had been able to let 285 properties. For comparison during 2019/20 we were able to let 384 properties which were 96 new lets and 288 relets and during 2018/19 there were 374 lets, 88 new lets and 286 relets. The relet numbers are very stable, although there has been a slight decline in the number of relets this year. From the information above there were 23 new properties that had taken over the 7-day target to let. There are several reasons for this with clear communication between teams being a big factor. Grŵp Cynefin adopted new guidance on the Property Transfer Procedure which is now been used on new developments which explains each stage from the start of a development to the letting and the information required to be shared within a set timescale. We are confident that this procedure will facilitate the process and communication when transferring new properties. A new strategic key performance indicator has been set for 2022/23, being that our tenancy turnover is less than 5.98%.

Loss of income due to empty properties at the end of March was £266,261. When comparing with the same period the previous year this figure was £346,340. Although there is a reduction, the percentage of income loss remains high in comparison to the percentage from two years ago.

	2022	2021
Rent loss – arrears as a % of rent collectable (as at year end)	2.17%	2.99%
Rent loss – empty properties as a % of rent collectable (in the year)	1.3%	1.76%
Days taken to let (including relets and new properties) (average in the year)	34	55
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.	405	506

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Aim 3: Improve Lives

Grŵp Cynefin shall provide help and opportunities for people

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

- The numbers of tenants and cases the welfare team has assisted have increased again this year with assistance given to 1076 tenants during the year for 1627 different cases, with total earnings of £1,001,820.41 for the year. The Team was shortlisted for their excellent work and achievements in the 2022 Norther Housing Award for their success in supporting our tenants and the collaboration with the benefit calculator software, 'Policy in Practice'.
- The team also worked with in-house teams such as Energy Wardens – who themselves successfully uploaded 959 applications for Warm Homes Discount on behalf of the tenants and other residents with a variety of energy providers. This achieved savings of c£134,260, an increase compared to the c£125k savings achieved in 2020-21. The Energy Wardens realised total savings of c£141k for customers during 2021-22.
- The association supported 22 tenants in gaining employment and development skills, and a total of £2k 'Steps to Employment Grants' was awarded during the year. Further to this, 6 members of Grŵp Cynefin staff have gained NVQ/QCF qualifications (including Management Business and Administration, Advice and Guidance), and 17 others are in the process of gaining such qualifications, with 3 members of staff on the Welsh Government Apprentice Levy Scheme.
- 542 applications were assessed and nominated to properties, via the Tai Teg affordable housing register, being an increase of 192 assessments compared to 2020-21.
- The Dyffryn Nantlle Health and Wellbeing Project commenced in 2020-21, which is a partnership between Gwynedd Council, The Betsi Cadwaladr University Health Board, Theatr Bara Caws, and Grŵp Cynefin. An innovative scheme that will improve and promote health and wellbeing by attracting new services and sustainable solutions to the Nantlle Valley area. The campus in Penygroes will include health services, a dental surgery, a pharmacy, social services, housing and care for older people, a day nursery and an arts venue. The current cost of the project, through grants such as the Integrated Care Fund (ICF) and a Land Release Fund is around £44m, where it has been confirmed that Grŵp Cynefin are eligible to apply for three further income streams under a new funding project by the ICF, being (HCF for Health and Wellbeing Hubs). Grŵp Cynefin have made an initial application for £11m. Two Bangor University Master students have also been supporting the project, and the 'Vision' document for the project was launched widely in March 2022.
- Gorwel a business unit within Grŵp Cynefin, provides support for up to 650 (2021 – 650) service users per week. This includes support for families suffering domestic abuse; support for children and young people and providing homelessness prevention services and support within the communities. During 2021-22, 2,025 service users received support from Gorwel, as compared to 1,653 during 2020/21. Of these, 272 (13%) are Grŵp Cynefin tenants, an increase of 11% compared to last year. There was also an increase of 63% in the children and young people's services and the Gwynedd Co-ordinator scheme, and a 30% increase in the number of dads taking part in the Caring Dads provision.

Grŵp Cynefin set itself a strategic aim in 2021/22 to develop an Equality, Diversity and Inclusion Strategy and Policy. An internal audit was included with the 2021/22 plan around this area with a purpose of identifying any areas for improvement to facilitate this work. An internal group has been set up to guide this work, which includes a tenant representative, and the Board Equality Champion appointed also during 2021/22. The Group is chaired by the Chief Executive, and an initial strategy and action plan to be drawn up before the end of June 2022, and in its final form by the end of September 2022 having undertaken a consultation process with staff and tenants.

Aim 4: Sustain Communities

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

It was recognised that the Grŵp Cynefin Tenant Participation and Community Strategy included elements of community development, and although there were similarities and some cross-over between both elements, it was felt that both were worthy and required their own strategy and focus. A strategic aim for 2021/22 was set to establish a new Community Strategy, and this was approved by the Customers and Community Committee in October 2021. The revised Tenant Participation Strategy, having considered the requirements of the new Regulatory Framework launched in January 2022, will be presented to the June 2022 meeting of the Committee.

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Strategic discussions have also taken place on collaborative working, one examples being working with other RSLs and the Betsi Health Board in facilitating early hospital discharges.

Another strategic aim for 2021/22 was to review and agree a definition for 'More than Housing' being Grŵp Cynefin's strapline. Work has commenced, with consultation sessions undertaken with staff and tenants, and a workshop for the Board. Further discussions will take place at a Board Strategic Workshop to be held in July 2022.

In the CIH Cymru National Awards ceremony, Grŵp Cynefin won first prize in the 'Health and Wellbeing for Social Prescription and Arts' excellence award for the Hwb Dinbych project for their work in supporting the health and wellbeing of the community. Grŵp Cynefin also came first for 'Communication in an Emergency' for their work in communicating and supporting tenants during the pandemic. 'Yr Orsaf', being the regeneration project in Penygroes also won the 'gold award' at the St David's 'Spirit of the Community' awards, along with 'Gold' for the Neighbourhood Transformation Award in the UK Housing Awards. The Shed, in Meliden, also won first prize in the 'Pet Friendly venue' category at Go North Wales awards.

Aim 5: Strong and Sustainable Growth

Grŵp Cynefin 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.

- During the first quarter of 2021-22, the Board undertook a re-structure of its senior management team to facilitate the delivery of the Chief Executive's new vision. The new Leadership Team includes the Chief Executive, the Group Director of Resources, the Group Director of Innovation and Growth, and the Group Director of Operations. The new structure was operational as of 1 April 2021, with 2 new Directors joining Grŵp Cynefin in August 2021 and a new Head of Development to join in October 2021. The new Management Team now includes a new Head of Neighbourhoods, the Head of Asset Management, the Head of Finance and a new Head of Community Regeneration.

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

- Governance arrangements are continually developed, and during the end of 2020-21, Grŵp Cynefin commissioned Central Consultancy and Training to undertake a comprehensive Governance Assessment, which is based on 'The Governance Forum's' organisational diagnostic review requirements, and which provides a comparison against governing arrangements of other sectors, including Registered Social Landlords. Grŵp Cynefin attained a Level 3 (the highest possible level) against all three categories, being 'resource', 'competency', and 'execution'. The findings of the process were discussed with the Management Board in July 2021.
- Grŵp Cynefin Board of Management formally adopted the revised CHC Code of Governance launched by Welsh Government during 2021/22, An annual exercise is undertaken to assess to what extent Grŵp Cynefin implements the Code of Governance that it has adopted. This exercise is undertaken through gathering feedback from Board, and providing evidence to support implementation, with the findings presented to the Governance Committee, with the next review to be presented to the June 2022 meeting. The 2020/21 exercise found that Grŵp Cynefin fully met most of the requirements of the code, and had included actions to strengthen some requirements further, or to demonstrate full compliance within the Governance Improvement Plan.
- A staff 'Health and Wellbeing Plan' was launched during 2020-21, which promoted and supported staff's health and wellbeing during the lock-down period, which included a suite of well-being sessions hosted by a specialised consultant. Following on from this, a strategic aim was set in 2021/22 to develop a 'People Strategy', and a 'Staff Well-being Strategy', and a consultant has been appointed to facilitate this work. Consultation has begun with staff, and both strategies will be launched during 2022/23.
- A 'Silver' level of the Investors in People Accreditation was attained during 2019-20, with an interim review taking place in November 2021, where the next three-year review due in November 2022.
- A new strategic key performance target of staff satisfaction of 80% or more has been set, and which will be monitored throughout 2022/23 and thereafter.
- A 'Post-Covid Plan' was launched during the year, approved by the Board in September 2021. The plan was drawn up following extensive consultation with staff on agreeing flexible working arrangements and principles.
- A Marketing and Communication Plan was also launched in 2020-21, with a review and new Communication Strategy developed and approved by the Board in March 2022. A Marketing officer was also appointed in 2021/22, to work alongside the Communications Manager.

MANAGEMENT BOARD REPORT

- A new Website was launched in April 2022, following staff and tenant's input, and facilitated by a specialist web-designer
- An Efficiencies and Savings Strategy and Action Plan was approved by the Board in February 2022, and a new strategic key performance target has been set for 2021/22 to generate £150k additional surplus cash.
- Grŵp Cynefin published its Value for Money statement for 2021, approved by the Board in March 2022, the highlights included:
 - £1.27m of financial gains made for our tenants by the Welfare Team
 - £124k saved in 886 applications for warm home discounts with energy providers for our tenants
 - 5,502 people helped by our care and repair subsidiaries with adaptation work
 - 98% of emergency repairs completed within 24 hours
 - £188k of grants attracted and supported by the Community Initiatives Team on various projects
 - For every £1 that was invested in Gorwel's domestic abuse services, £20 was saved by local authorities, healthcare providers, missed employment costs and more.
 - 87% of tenants stated that they were satisfied or very satisfied that the service provided by Grŵp Cynefin
- Grŵp Cynefin adopted a Social Rent Setting Policy in November 2021, following extensive consultation with tenants. The policy was based on the Joseph Rowntree Foundation (JRF) 'Living Rent' model methodology to ensure that rents are set so that they are affordable to tenants and their households.
- Mazars were appointed as the group's internal auditor providers by the Audit and Risk Committee for a period of 3 years, from 01/04/22, following an open tender process.

GRŴP CYNEFIN PRINCIPAL ACTIVITIES

As a registered social landlord, Grŵp Cynefin:

- Manages more than 4,800 homes across North Wales and North Powys
- Provides landlord services through a network of local offices in Bala, Denbigh, Llangefni and Penygroes. Although, due to the Covid-19 pandemic, during 2021-22 the offices were open to those staff wishing to work from the office, with the majority of staff continuing to work from home. As mentioned above, a flexible working scheme was launched during the year following full consultation with staff.
- 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-owned properties or has facilitated over 1000 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 1,800 additional intermediate rent homes since its formation in 2011.
- Grŵp Cynefin completed 95 new units (103 units if including bedspaces within supported housing) during 21/22 against a target of 118 units. 2022/23 assumption is to complete 115 units against the target of 120 units. 2023/24 assumption is to complete 210 units against the 120-unit target.
- During 2021-22 Grŵp Cynefin invested over £8.3m (2021 - £6.5m) in its housing stock. This included substantial investment in retrofitting homes to be more energy efficient.

As a group of social businesses Grŵp Cynefin also provides 'more than housing' by:

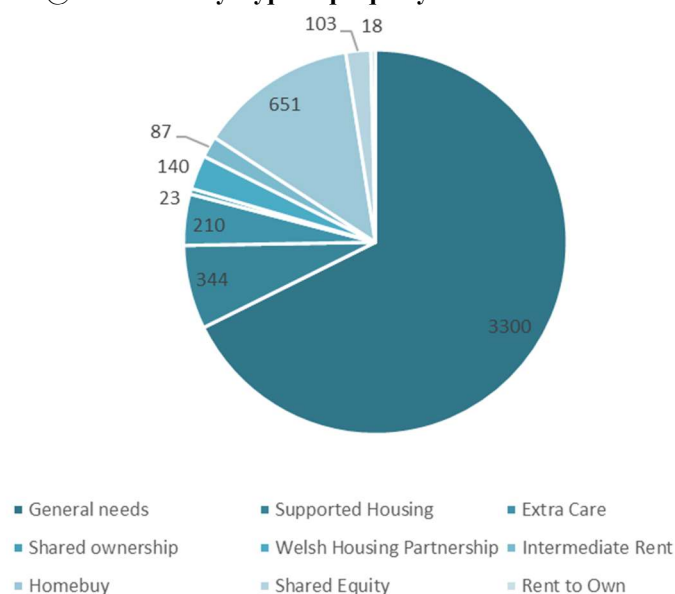
- Managing two Care and Repair agencies through two subsidiaries (Canllaw (Eryri) Cyf and Gofal a Thrwio Conwy a Sir Ddinbych) which carry out essential adaptations to the homes of older people and people with disabilities
- Providing housing-based support services through Gorwel, Grŵp Cynefin's internal 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
- Managing a homelessness prevention project for young people in Conwy
- Managing the Community Energy Wardens employment and vocational training projects which now operates across north Wales and Powys.
- Managing the Congl Meinciau Enterprise Centre on the Llŷn Peninsula, Gwynedd

MANAGEMENT BOARD REPORT

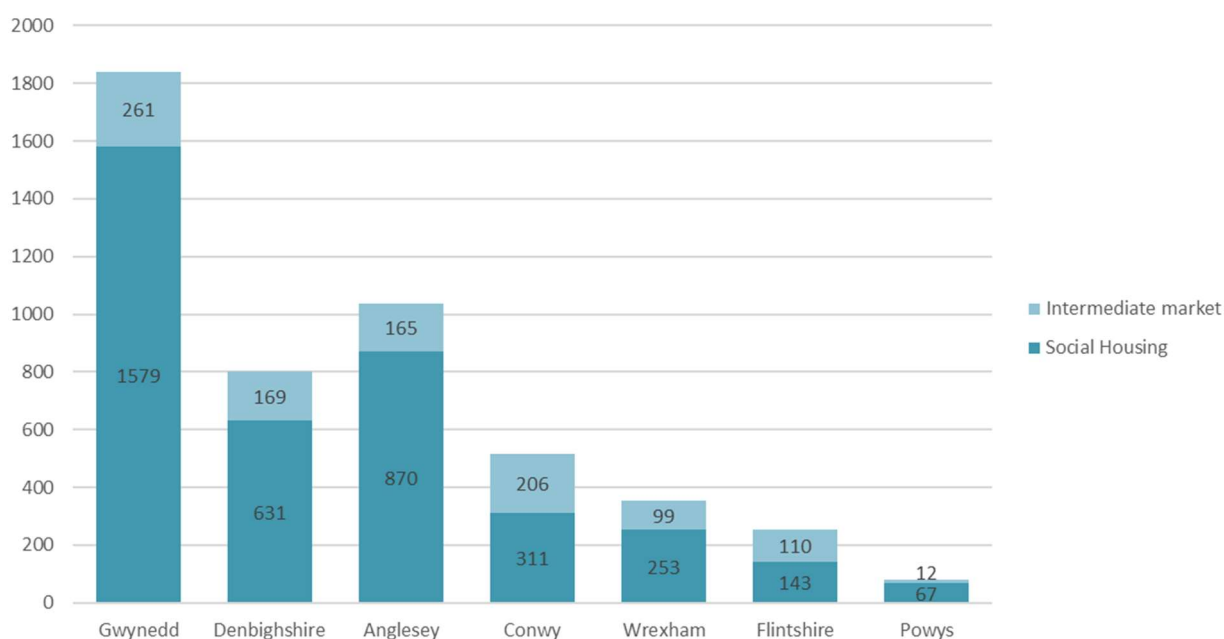
- Managing HWB Dinbych, a youth enterprise centre in Denbigh
- Managing 'Y Shed' enterprise centre in Meliden, which entailed transforming an old empty railway building into a hub containing a shop, café, local heritage information, and business units.
- Acting as the Corporate Trustee for two Alms-house Charities, The Charity of Elizabeth Owen, Llanfair Dyffryn Clwyd and Ellen Glynne Homes, Llandwrog.
- Providing business units for community groups in Llangefni.

The following graphs give a summary of the housing stock which are owned and managed by Grŵp Cynefin, and the intermediate housing stock that Grŵp Cynefin has an interest in. The analysis gives numbers by type of property and by the local authority in which they are located. The numbers include 'Homebuy' properties (where Grŵp Cynefin has provided a loan to support home ownership) and Shared Equity properties. These properties total 754 units but are not managed by Grŵp Cynefin, and therefore not included in the total in Note 5 of these accounts. However, note 5 includes an additional 17 units, which are managed by Grŵp Cynefin on behalf of others.

Graph 1: Housing Stock @ 31/03/22 – By Type of property



Graph 2: Housing Stock @ 31/03/22 – By Local Authority



MANAGEMENT BOARD REPORT

Financial and Treasury matters

Grŵp Cynefin has adopted a robust Treasury Management Policy and the Board approves a Treasury Strategy on an annual basis. Quarterly treasury reports are presented to the Finance and Growth Committee which demonstrates that Grŵp Cynefin continually complies with its Treasury Management Policy. A review of the Treasury Management Policy was approved by the Management Board in February 2021 and the 2022-23 Treasury Strategy and Action Plan was approved by the Board in March 2022.

The year ending 31 March 2022, was a very busy year in terms of treasury strategy and implementation, due to the major re-financing and new £40m long term Note Purchase Agreement which was signed in August 2021. The initial tranche of £30m being used (with c£4m cash) to re-finance c£34m of existing short-term facilities. Also, a new £30m Revolving Credit Facility was agreed in August 2021 which is a 'Sustainability Linked Loan' with the three Environmental, Social and Governance (ESG) targets agreed with the lender. These three ESG targets have also been agreed with another current lender as part of a variation in terms agreement. At the year end, Grŵp Cynefin had adequate liquidity in place for approximately 36 months, and the hedging position was circa 90%. The 2022-23 treasury strategy builds on this strong footing and provides flexibility to be responsive to unforeseen significant changes in circumstances. Grŵp Cynefin will continue to comply with all of its lenders' loan covenants at all times.

In accordance with the Welsh Government requirements, comprehensive 'stress-testing' of the 30 -year financial forecasts are carried out on an annual basis with the Management Board, and potential mitigation strategies are discussed.

In December 2020 the Welsh Government published its Interim Regulatory Judgement on Grŵp Cynefin, and Grŵp Cynefin received a 'Standard' judgement for both Governance and Services and Financial Viability. As a result, 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. No regulatory reviews took place in 2021-22, and Welsh Government have announced that the 2022-23 process will take place by the end of August 2022, with a published judgment by the end of September 2022.

Staff continue to work unrelentingly to improve the efficiency of the business and deliver better services to its customers and communities. Good progress was made with the procurement processes with the approval of a new Procurement Policy, in establishing a new Procurement Framework and by gaining access to many Procurement Frameworks. A new Strategic Value for Money Action Plan was also approved, and many of the work streams within the plan manifested themselves naturally as working practices changed overnight to deal with the pandemic. A new way of working over the past year has enabled Grŵp Cynefin to digitalise many processes, and work remotely with ease. These new processes will undoubtedly form foundations to a more efficient and effective way of working, and savings of this nature will assist us in achieving more in terms of social value for Grŵp Cynefin tenants and the communities it serves.

Further focus will be made on hybrid working practices for the future, and further efficiencies will be sought through the implementation of the actions outlined in the Digital Transformation Strategy and the Efficiencies and Savings Policy. The new policy outlines Grŵp Cynefin's commitment to streamline our internal processes by appointing and training Lean Practitioners and Lean Champions, and by concentrating on two or three specific areas of work annually.

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 its tenants, future tenants and the wider community. An annual VFM Statement was released during the year which highlights the added value that Grŵp Cynefin provides to its tenants and customers

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.

The Group turnover for the year was £31m (2021- £31m) of which £22m (2021- £21m) was rental and service charge income. The group's surplus for the year amounted to £1.7m (2021- £2.5m) and following the defined benefit pension adjustment that was required during the year showing additional income of £3.6m (2021- expenditure of £5.3m), the revenue reserves stood at £31.7m (2021 - £26.4m) at the year-end. The Management Board considers this a positive result for the year. Housing properties stood at a net book value of £303m at the year-end (2021- £292m).

MANAGEMENT BOARD REPORT

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 Grŵp Cynefin can deliver services and empower tenants and communities to achieve outcomes that are important to them.

As mentioned above, during 2020-21, it was recognised that the Grŵp Cynefin Tenant Participation and Community Strategy included elements of community development, and although there were similarities and some cross-over between both elements, it was felt that both were worthy and required their own strategy and focus. A strategic aim for 2021/22 was set to establish a new Community Strategy, and this was approved by the Customers and Community Committee in October 2021. The revised Tenant Participation Strategy, having considered the requirements of the new Regulatory Framework launched in January 2022, will be presented to the June 2022 meeting of the Committee.

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 agreed an action plan to ensure and enhance tenant involvement to be at the heart of its decision-making process. This action plan has since been completed. Grŵp Cynefin have further commissioned TPAS Cymru to facilitate as a critical friend of how Grŵp Cynefin perform against the new 4th Performance Standard within the Regulatory Framework, and this work will be undertaken during 2022-23.

When lockdown first hit, Grŵp Cynefin were keen to establish a way to keep in contact with involved tenants. The decision was made to combine all tenant groups to create one larger group, and contact was made with all involved tenants. Staff ensured that the tenants who wanted to take part had the equipment, the network and the skills to be able to connect on-line. Tenants were extremely keen to continue with these sessions regularly both as an opportunity to catch up with fellow tenants whilst still being able to influence services. Weekly one-hour sessions were held, which gave cross departmental colleagues the opportunity to consult with the group with ease, breaking down some logistical obstacles which previously existed. The weekly sessions have continued throughout 2021/22, and within the financial year, 57 meetings took place; meeting topics included inputting and commenting /consulting on, amongst others:

- the new Grŵp Cynefin website
- the Efficiency and Savings Policy
- Rent Review 2022/23
- the new Community Strategy and Action Plan
- developing a definition for the 'More than Housing' strapline
- the Skills and Employment Strategy
- revised Rent statements
- Introduction to the Regulatory Standards by TPAS Cymru

Grŵp Cynefin won the 'Communication During a Crisis' award and became runners-up in the 2020-21 TPAS Annual Awards for 'Maintaining Tenant Participation'.

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.

It was anticipated that the effects of Covid would have a negative impact on rent arrears during 2020-21, and this proved to be the case. Arrears peaked at 3.8% at the end of December 2020, against a target of 2%, but due to the support and dedicated work of the Housing Team, the arrears had reduced to 2.99% by the year end. Reducing the arrears and further supporting its tenants remained a high priority for Grŵp Cynefin for 2021-22, and a re-structuring of the housing team was undertaken to establish a dedicated rent collection team.

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This proved to be successful, as the arrears throughout 2021-22 continued to reduce, with performance at year end being 2.17% against a target of 2% as set by the Customer and Communities Committee.

The net rent arrears figure has reduced significantly by the end of March 2022, which is very encouraging and shows the great success that has been made in recent months to achieve these results. The net arrears at the end of March 2022 are the least they have been, and a significant reduction compared to year on year. 2.17% corresponds to arrears of £443,362 compared with the total rent collected of £20,465,727 which is a reduction of £39,592 since the end of December 2021 and a reduction of £144,610 when comparing to same period last year.

1249 (33%) of tenants are now receiving Universal Credit. Grŵp Cynefin receive direct payments from the Department for Work and Pensions for 447 (36%) of these tenants. This is an increase of 149 since March 2021. Grŵp Cynefin has also set itself a strategic target for 2022-23 to support 32+ people into employment / self-employment.

During the financial year, 319 properties were let, 72 new lets and 247 re lets. During the same period last year and due to Covid restrictions we had been able to let 285 properties. For comparison during 2019/20 we were able to let 384 properties which were 96 new lets and 288 relets and during 2018/19 there were 374 lets, 88 new lets and 286 relets. The relet numbers are very stable, although there has been a slight decline in the number of relets this year.

Grŵp Cynefin carries out an annual rent review which is approved by the Board in February every year. In January 2021 Grŵp Cynefin held a workshop with the Management Board and members of the Customers and Communities Committee to consult on the 2021-22 rent review and to consult on a new proposed Social Rent Setting Policy, based on the Joseph Rowntree Foundation 'Living Rents' Model. Grŵp Cynefin consulted with tenants (via a questionnaire and the Tenants Working Group) on the content of the draft policy, also a workshop with members of the Customer and Communities Committee (20/10/2021) and a workshop with Members of the Management Board (10/11/2021) was held before the Management Board approved the new policy on the 24/11/2021. Grŵp Cynefin will start implementing the policy from 01/04/2022 onwards

Due to the affordability modelling undertaken in 2021-22, it was decided that all social rents for 1-bedroom properties and bedsits would be frozen from October 2022, and to continue to provide support through the Welfare Team to the most financially vulnerable tenants, by mapping out these tenants and specifically targeting the support.

Environmental, Social, Governance (ESG) Performance

Grŵp Cynefin produced its ESG Criteria Compliance Certificate under the provisions of its loan agreements, which showed the performance as of 31 March 2022, against the three-performance target set, as follows:

- i. The Energy Performance criteria on New Build properties was Average 84.3 EPC (against a target of 80) and
- ii. The Energy Performance criteria on existing stock was Average 69.3 EPC (against a target of 69.5); and
- iii. 51 people (who were, immediately prior to that, unemployed) were supported towards employed work, or self-employed work (against a target of 28)

The Operating Environment

As a housing association, Grŵp Cynefin continues to operate within a complex environment with changing political, economic, social and environmental challenges and demands.

2021-22 proved to be yet another challenging year, with increased business costs due to increasing building material and labour costs, increasing insurance costs and increasing utilities costs. An increase in the cost of living, increasing household debt, and employment uncertainty all contributed to our tenant's household earnings, which led Grŵp Cynefin involving our tenants in the development of a new Social Rent Setting Policy, using the JRF Living Rents affordability methodology. This new policy was approved by the Board in November 2021 and became operational on 1 April 2022. Grŵp Cynefin also developed a new Efficiency and Savings Policy during the year which aims to generate both financial and non-financial savings (improving efficiency), and to maximise income generation. This new policy was approved by the Board in March 2022.

The need continues for good quality and affordable housing, more so in some rural locations in Wales due to the housing crisis, and the second homes boom. Welsh Government has set an ambitious target to provide 20,000 new low carbon social homes and is currently consulting on the latest Welsh Housing Quality Standard (WHQS), which will be referred to as WHQS 2, where the most significant area of focus on retrofitting / decarbonising the current

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housing stock. Given the importance of reducing carbon emissions in the future, the challenge of improving the energy performance of our housing stock will be key. Grŵp Cynefin developed a Sustainability Strategy and an action plan during the year, which was approved by the Board in February 2022. The strategy was developed with external specialist support from The Carbon Trust and included extensive consultation with staff, tenants and other stakeholders.

During the autumn of 2021-22, the Board held a series of strategic workshops, and one of these sessions included a 'horizon scanning' session, which was facilitated Matt Dicks, National Director of CIH Wales. The key housing sector priorities in Wales were identified as:

- 20,000 new low-carbon social homes
- Fire safety
- Building new homes and the challenges in the supply chains
- Affordability challenges for tenants
- Need to increase diversity
- Increased expectations of our tenants, and a need to better understand their aspirations and needs

Grŵp Cynefin is well placed and has a good track record of working with public sector organisations to develop innovative solutions and respond positively to these challenges. All of the above matters, along with the other strategic discussions held, fed into the 2022-23 business planning process, and ultimately, the 2022-23 strategic objectives.

Decarbonisation Agenda

In June 2019, Welsh Government set a target for zero carbon emissions for self-owned and private rented housing by 2050 with social sector housing to reach target by 2030. The statement was followed by the 'Better Homes, Better Wales, Better World' report to the Assembly by the Decarbonisation of Homes in Wales Advisory Group.

As mentioned above, Grŵp Cynefin also developed a group wide Sustainability Strategy during 2021-22 which was approved by the Management Board in February 2022. Grŵp Cynefin appointed the Carbon Trust to facilitate this work, who also facilitated consultation sessions with staff, tenants and the Leadership Team. Strategic workshops were also held with Management Board Members and presented the strategy and action plan to the Customers and Communities Committee to discuss key priorities. Grŵp Cynefin have appointed a Board Decarbonisation Champion and will establish a 'Green Group' comprising of tenants, staff and Board Members to oversee the strategy and action plan. A key strategic performance target of 4% reduction in our scope 1 & 2 Carbon emissions has been set.

Building Safety

Grŵp Cynefin set a strategic aim for 2021-22 to consider the implications and raise awareness to the 'Building Safety' white paper, and it was reported to Board that the Strategic Fire Group had reviewed this adding that will be additional specialist support available through Savills through our partnership with them for conducting Fire Risk Assessments, therefore opportunity to review in the future as required.

Welsh Housing Quality Standards (WHQS)

The Welsh Government had set out a requirement for all housing associations to become 100% compliant (subject to 'acceptable fails') by December 2020. Grŵp Cynefin has regularly reported its 100% compliance, which is based on recent stock condition survey data.

However, from 2022-2023 onwards, Grŵp Cynefin will be updating its stock condition surveys, using sector recognised surveyors, and as the new survey results are received, will be working on a plan to reduce the current number of 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 this resulted in the review of the group's health and safety arrangements, and the production of a Corporate Health and Safety Action Plan which is monitored internally by the Strategic Health and Safety Group before being presented to the Audit and Risk Committee for scrutiny. During 2021-22, and May 2022, two Health

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and Safety Workshops were held with the Board around the five key health and safety areas to raise awareness around the landlord responsibilities, sector comparisons and risk implications and appetite in order to facilitate future performance monitoring and budgetary decisions.

Interim 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

The Interim Regulatory Judgement from the Housing Regulatory Team at Welsh Government published in December 2020, confirmed a 'Standard' judgement on both Governance and Services and Financial Viability, for Grŵp Cynefin. This being the highest judgement level possible.

No regulatory judgements were carried out by Welsh Government during 2021-22, as they were reviewing the Regulatory Framework, which was published in February 2022. Grŵp Cynefin have been notified that their 2022-23 regulatory judgement process will take place during the summer of 2022, with a judgement being published by the end of September 2022.

Modernised and digital services

Grŵp Cynefin has invested heavily in the last few years in its new housing management software ('Active H') as part of its commitment to improve its service delivery. The second phase of the project was completed on 31 March 2021, 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. This phase involved the development of a Tenant Portal or 'ApCynefin' as it's been named, which was launched in March 2021. The Tenant Portal (a self-serve portal for tenants), enables tenants to have access to their accounts 24/7, and offers additional forums for tenants to manage their tenancies. Within 'ApCynefin', it is possible to check the rent account, check, or raise a maintenance request, use the benefits calculator, and much more. The 'live chat' facility on our website was also launched during 2021/22.

The new 'Cyswllt Cynefin' customer care team is now well established, and feedback is positive and shows that the service provided is valued. During the year Grŵp Cynefin was working towards a customer care accreditation, and in July 2021 it received the 'Excellent Customer Service' award. 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 2020-21, Grŵp Cynefin developed 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, and which is monitored annually. Grŵp Cynefin set itself a new strategic performance target for 2022-23 to increase the 'Digital First' transactions by 20% of our tenants regularly use digital methods.

During 2021-22, the Grŵp Cynefin Website was also developed with the official launch taking place in April 2022.

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 certain information about the families, and access to home environments. The Safeguarding Policy was reviewed in February 2020, and all staff receive regular training.

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During 2019-20, and following an Internal Audit on this area, a Safeguarding Management Group was established to meet quarterly. The group considers whether there are any Safeguarding themes and identifies any staff training needs and lessons learnt.

Equality, Diversity and Inclusion

One of the strategic aims set for 2021-22 was to develop an Equality, Diversity and Inclusion (EDI) Strategy and Plan, and this work continues. An EDI Internal Group has been established, led by the CEO, and which includes staff from across the group, a tenant representative and the Board EDI Champion. The group have met every two weeks to discuss culture, expectations and are building the foundations of the Strategy, Policy and Action Plan to be launched for consultation before the end of June 2022, with the final version to be approved by Board by the end of September 2022.

Grŵp Cynefin has set itself a new strategic performance target for 2022-23 to increase the profile data of its tenants to 80% which will facilitate in ensuring targeted services.

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 over 4,800 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 around 650 (2021- 650) 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 Wellbeing Hub project in Dyffryn Nantlle, which is gathering momentum, and will be a project run in collaboration with Gwynedd Council, Betsi Cadwaladr University Health Board and others. During 2021-22, Grŵp Cynefin Board set itself a strategic aim to agree a definition for 'More than Housing' where consultation sessions were held with staff and the Tenants Working Group, with a Workshop held for Board Members, 29 March 2022. Further work is to be undertaken to reflect the Board's comments and return to the strategic workshop to be held in July 2022.

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 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 to enable them to live at home independently and securely.

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.

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Grŵp Cynefin staff

As at the end of March 2022, the key staff performance indicators were as follows:

	2022	2021
Number of staff at year end	267	266
Full time equivalent	221	212
Split between Male/Female employees	68 Male 199 Female	69 Male 197 Female

Grŵp Cynefin has talented and motivated staff who are committed to ensuring that the organisation delivers the objectives of its Corporate Plan, and delivers the best services to its customers.

As mentioned above, during the first quarter of 2021-22, the Board undertook a re-structure of its senior management team to facilitate the delivery of the Chief Executive's new vision. The new Leadership Team includes the Chief Executive, the Group Director of Resources, the Group Director of Innovation and Growth, and the Group Director of Operations. The new structure was operational as of 1 April 2021, with 2 new Directors joining Grŵp Cynefin in August 2021 and a new Head of Development to join in October 2021. The new Management Team now includes a new Head of Neighbourhoods, the Head of Asset Management, the Head of Finance and a new Head of Community Regeneration

A staff 'Health and Wellbeing Plan' was launched during 2020-21, which promoted and supported staff's health and wellbeing during the lock-down period, which included a suite of well-being sessions hosted by a specialised consultant. Following on from this, a strategic aim was set in 2021/22 to develop a 'People Strategy', and a 'Staff Well-being Strategy', and a consultant has been appointed to facilitate this work. Consultation has begun with staff, and both strategies will be launched during 2022/23.

A 'Silver' level of the Investors in People Accreditation was attained during 2019-20, with an interim review taking place in November 2021, where the next three-year review due in November 2022, and a new strategic key performance target of staff satisfaction of 80% or more has been set, and which will be monitored throughout 2022/23 and thereafter.

A 'Post-Covid Plan' was launched during the year, approved by the Board in September 2021. The plan was drawn up following extensive consultation with staff on agreeing flexible working arrangements and principles.

Approach to risk management and risk appetite

Grŵp Cynefin has a Risk Assurance Framework, based on the 'three lines of defence' approach and the framework is applied to the group's strategic risks, and within the coming year it will also be applied to operational and project risks for additional assurance management. An internal audit was conducted on Risk Management arrangements in May 2020, where an overall audit opinion of 'Substantial/Moderate Assurance' was attained. An annual Risk Management Report is also presented to the Audit and risk Committee and shared thereafter with its Regulators.

Grŵp Cynefin's Management Board has reviewed its risk appetite, which has been incorporated into the Risk Register, where a further review will take place during 2022-23. Risk management information is readily available to the Management Board and Committee members, after investing recently in purposeful software, which has enhanced further the group's risk management arrangements. This software, named 'Decision Time' is now also used by both of Grŵp Cynefin's subsidiary companies and Boards.

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 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 2021-22 and to date, the key strategic risks are:

- WHQS Performance - Inability to comply with Corporate Objective of Reducing Acceptable Fails.
- Shortfall in approved development programme pipeline for 2022/2023 and 2023/2024 to reach strategic development completion targets.
- Development Main contractor failure.
- Do not harness the benefits from the decarbonisation of our housing stock and linked key activities which can realise significant benefits for residents, communities, the economy and the environment.

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- Welsh Government rent increases being restricted in high inflation environment (lower than CPI + 1% in 5-year rent settlement)
- Security of IS Systems including Cyber Security and risk of Ransomware
- Inability to recruit new staff in certain teams e.g. Maintenance & Gorwel.
- Increase in inflation
- No Equality, Diversity and Inclusion Strategy in place, which could lead to non-compliance of legislation and regulatory expectations.

In its October 2021 meeting, the Audit and Risk Committee assigned most of the meeting to undertake a ‘risk deep dive’ where the key risks were scrutinised in detail, and an opportunity to discuss and to identify any new or emerging risks.

During 2021-22, an external health and safety specialist was commissioned to provide support in reviewing key landlord health and safety policies and procedures, and two workshops were held with the Board around landlord obligations, to provide health and safety data and information, and to discuss their risk appetite around these areas to facilitate future budgetary decisions.

In January 2022, Welsh Government published a ‘Sector Risks’ paper, which was presented and discussed by the Audit and Risk Committee, and the Board of Management thereafter.

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 its ‘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.

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. During 2021-22, the Audit and Risk Committee undertook a formal tendering process for an internal audit provider, as the current provider, being BDO’s, contract was ending at the end of March 2022 following a 12-month extension approved in 2021. The successful provider appointed were Mazar, and who commenced on 01/04/22 for a period of 3 years.

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:

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- 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

Grŵp Cynefin formally adopted new registered rules in their EGM in August 2021, which were based on model rules launched by Community Housing Cymru, in conjunction with Welsh Government and Devonshires Solicitors. Grŵp Cynefin commissioned Devonshires to further facilitate this work, and to support the Board with identifying and understanding the key changes to the previous rules.

The Management Board also formally adopted the Community Housing Cymru revised Code of Governance launched in the summer of 2021, in their July 2021 meeting.

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.

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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 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 consisting of the Chairs of each group Management Board and each Committee, and other Management Board members as necessary. The Committee currently oversees all governance and remuneration matters, but discussions are currently taking place with Board, with a view of separating these elements, and to establish a Governance Committee and a separate Remuneration Committee.

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 29.

Changes in Fixed Assets

Details of fixed assets are set out in notes 12 to 15 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.

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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 Management 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 21st September 2022. At this meeting, the Association's 2021-22 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRŴP CYNEFIN

OPINION

We have audited the financial statements of Grŵp Cynefin ('the Association') and its subsidiaries ('the Group') for the year ended 31 March 2022 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Association's affairs as at 31 March 2022 and of the Group's and Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, 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 the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRŴP CYNEFIN

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 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Opinion on other matters prescribed by the housing association circular RSL 02/10: Internal Controls and Reporting

With respect to the Board's statement on internal financial controls on pages 18 to 19, in our opinion:

- the Board has provided the disclosures required by the housing association circular RSL 02/10: Internal Controls and Reporting; and
- the Board's statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 21, 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 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 Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015, tax legislation, health and safety legislation, and employment legislation.

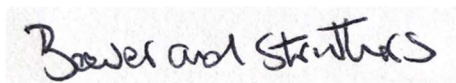
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRŴP CYNEFIN

- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of the audit report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.



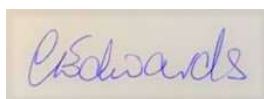
Beever and Struthers
Statutory Auditors
St George's House
215-219 Chester Road
Manchester
M15 4JE

Date: 22 August 2022

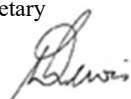
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
TURNOVER	3		<u>30,789</u>		<u>30,901</u>
Operating expenditure		(25,596)		(23,623)	
Cost of Sales		-		(1,723)	
Gain on disposal of property, plant and equipment		472		448	
	3		<u>(25,124)</u>		<u>(24,898)</u>
OPERATING SURPLUS	10		5,665		6,003
Share of loss in joint venture	15		25		(6)
Interest receivable	8		22		29
Refinancing Costs	9		(560)		-
Interest and financing costs	9		(3,492)		(3,502)
SURPLUS BEFORE TAX			<u>1,660</u>		<u>2,524</u>
Taxation	11		<u>-</u>		<u>(36)</u>
SURPLUS FOR THE YEAR			1,660		2,488
Other comprehensive income 'Actuarial gain/ (loss) on defined benefit pension scheme'	26		3,559		(5,299)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			<u><u>5,219</u></u>		<u><u>(2,811)</u></u>

These financial statements were approved by the Management Board on 20th July 2022
 Signed on its behalf by:



..... Management Board Member
 Secretary



..... Management Board Member

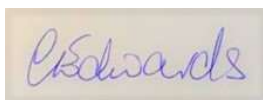


The notes on pages 32 to 60 form part of these financial statements

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
TURNOVER	3a		<u>28,354</u>		<u>28,573</u>
Operating expenditure		(23,438)		(21,500)	
Cost of sales		-		(1,723)	
Gain on disposal of property, plant and equipment		472		448	
	3a		<u>(22,966)</u>		<u>(22,775)</u>
OPERATING SURPLUS	10		5,388		5,798
Interest receivable	8		22		28
Refinancing costs	9		(560)		-
Interest and financing costs	9		(3,477)		(3,496)
			<u>1,373</u>		<u>2,330</u>
SURPLUS BEFORE TAX			1,373		2,330
Taxation	11		-		(36)
			<u>1,373</u>		<u>2,294</u>
SURPLUS FOR THE YEAR			1,373		2,294
Other comprehensive income:					
‘Actuarial gain/ (loss) on defined benefit pension scheme’	26		3,264		(4,859)
			<u>4,637</u>		<u>(2,565)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			<u>4,637</u>		<u>(2,565)</u>

These financial statements were approved by the Management Board on 20th July 2022
 Signed on its behalf by:



..... Management Board Member



..... Secretary



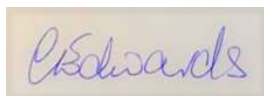
..... Management Board Member

The notes on pages 32 to 60 form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2022

	Note	2022 £'000	2021 £'000
FIXED ASSETS			
Intangible assets	12	660	769
Housing properties	13	303,024	292,485
Other property, plant and equipment	14	10,504	10,652
Investments	15	29,478	29,940
		<hr/>	<hr/>
		343,666	333,846
CURRENT ASSETS			
Stock	16	351	517
Debtors	17	10,138	3,657
Debtors: amounts receivable after more than one year	17a	9,359	9,626
Investments	18	6,047	7,529
Cash		6,398	8,572
		<hr/>	<hr/>
		32,293	29,901
CREDITORS: amounts falling due within one year	19	(20,048)	(23,170)
		<hr/>	<hr/>
NET CURRENT ASSETS / (LIABILITIES)		12,245	6,731
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		355,911	340,577
CREDITORS: amounts falling due after more than one year	20	(319,372)	(305,344)
Provisions for liabilities and charges	20a	(771)	(505)
Defined benefit pension liability	26	(4,102)	(8,281)
		<hr/>	<hr/>
NET ASSETS		31,666	26,447
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	23	-	-
Revenue reserve		31,658	26,439
Restricted reserve		8	8
		<hr/>	<hr/>
TOTAL RESERVES		31,666	26,447
		<hr/>	<hr/>

These financial statements were approved by the Management Board on 20th July 2022
 Signed on its behalf by:



..... Management Board Member



..... Secretary



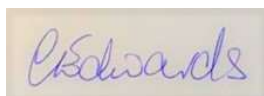
..... Management Board Member

The notes on pages 32 to 60 form part of these financial statements

ASSOCIATION STATEMENT OF FINANCIAL POSITION
At 31 March 2022

	Note	2022 £'000	2021 £'000
FIXED ASSETS			
Intangible assets	12	660	769
Housing properties	13	303,024	292,485
Other property, plant and equipment	14a	10,480	10,627
Investments	15	30,490	30,977
		<u>344,654</u>	<u>334,858</u>
CURRENT ASSETS			
Stock	16	285	474
Debtors	17	9,871	3,325
Debtors: amounts receivable after more than one year	17a	9,359	9,626
Investments	18	6,047	7,529
Cash		5,357	7,850
		<u>30,919</u>	<u>28,804</u>
CREDITORS: amounts falling due within one year	19	<u>(19,839)</u>	<u>(23,023)</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>11,080</u>	<u>5,781</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		355,734	340,639
CREDITORS: amounts falling due after more than one year	20	(319,372)	(305,344)
Provisions for liabilities and charges	20a	(771)	(505)
Defined benefit pension liability	26	(3,745)	(7,581)
		<u>31,846</u>	<u>27,209</u>
NET ASSETS		<u>31,846</u>	<u>27,209</u>
CAPITAL AND RESERVES			
Called-up share capital	23	-	-
Revenue reserve		31,846	27,209
Restricted reserve		-	-
TOTAL RESERVES		<u>31,846</u>	<u>27,209</u>

These financial statements were approved by the Management Board on 20th July 2022
 Signed on its behalf by:



..... Management Board Member



..... Secretary



..... Management Board Member

The notes on pages 32 to 60 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
At 31 March 2022

	Hardship Fund (restricted)	Revenue Reserve	Total 2022
	£'000	£'000	£'000
At 1 April 2021	8	26,439	26,447
Surplus for the year	-	1,660	1,660
Other comprehensive income			
• Actuarial gains	-	3,559	3,559
	<hr/>	<hr/>	<hr/>
Reserves at 31 March 2022	8	31,658	31,666
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Hardship Fund (restricted)	Revenue Reserve	Total 2021
	£'000	£'000	£'000
At 1 April 2020	8	29,250	29,258
Surplus for the year	-	2,488	2,488
Other comprehensive income			
• Actuarial losses	-	(5,299)	(5,299)
	<hr/>	<hr/>	<hr/>
Reserves at 31 March 2021	8	26,439	26,447
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ASSOCIATION STATEMENT OF CHANGES IN RESERVES
At 31 March 2022

	Revenue Reserve	Total 2022
	£'000	£'000
At 1 April 2021	27,209	27,209
Surplus for the year	1,373	1,373
Other comprehensive income		
• Actuarial gains	3,264	3,264
	<hr/>	<hr/>
Reserves at 31 March 2022	31,846	31,846
	<hr/> <hr/>	<hr/> <hr/>

	Revenue Reserve	Total 2021
	£'000	£'000
At 1 April 2020	29,774	29,774
Surplus for the year	2,294	2,294
Other comprehensive income		
• Actuarial losses	(4,859)	(4,859)
	<hr/>	<hr/>
Reserves at 31 March 2021	27,209	27,209
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 32 to 60 form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Net cash generated from operating activities	27	5,733	8,908
Cash flows from investing activities			
Purchase and construction of housing properties		(12,574)	(9,032)
Sale of housing properties		561	906
Social housing grant received		5,098	3,970
Purchase of other fixed assets		(117)	(240)
Component replacements		(1,345)	(924)
Sale of other fixed assets		-	-
Other fixed assets grant disposals		(114)	11
Investments		-	(625)
Investment in Low-cost home ownership loans		487	642
Interest received		22	29
Net cash from investing activities		(7,982)	(5,263)
Cash flows from financing activities			
Loans received		43,615	15,365
Repayment of borrowings		(41,512)	(7,659)
Refinancing costs		(349)	-
Interest paid		(3,161)	(3,088)
Net cash from financing activities		(1,407)	4,618
Net (decrease) / increase in cash and cash equivalents		(3,656)	8,263
Cash and cash equivalents at the beginning of year		16,101	7,838
Cash and cash equivalents at end of year		12,445	16,101

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2022****1. ACCOUNTING POLICIES****Legal Status**

Grŵp Cynefin is incorporated in England and Wales under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Welsh Government as a Private Housing Association (number L029). The registered office is Tŷ Silyn, Ffordd Llanllyfni, Penygroes, LL54 6LY. Grŵp Cynefin's principal activity is to provide social housing. 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), the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015, the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 and the Housing and Regeneration Act 2008.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

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.

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
------------------	---------

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

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 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.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2022**

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. 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.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2022****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 instrumentsFinancial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. 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 2022****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, their future cash flows and service potential.

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 26)

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

3. CONSOLIDATED TURNOVER AND OPERATING COSTS

	2022			2021		
	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)	24,586	(18,959)	5,627	23,756	(17,383)	6,373
Income and expenditure on Property sales	-	-	-	1,343	(1,723)*	(380)
Other income and expenditure						
Affordable homes team	171	(541)	(370)	86	(481)	(395)
Conwy Homeless Scheme	34	(34)	-	26	(26)	-
Development services	-	(668)	(668)	-	(593)	(593)
Gorwel	2,465	(2,458)	7	2,269	(2,267)	2
HWB	143	(135)	8	96	(87)	9
Rural Housing Enablers	135	(123)	12	165	(131)	34
Other Income and Expenditure	612	(315)	297	649	(321)	328
Enterprise Centre	71	(81)	(10)	59	(89)	(30)
Energy Wardens	59	(47)	12	43	(42)	1
Y Shed, Meliden	78	(77)	1	81	(80)	1
Canllaw (Eryri) Cyf	1,134	(1,027)	107	1,064	(994)	70
Gofal a Thrawsio Conwy a Sir Ddinbych	1,301	(1,131)	170	1,264	(1,129)	135
Total	30,789	(25,596)	5,665	30,901	(25,346)	5,555
Gain on disposal of property, plant and equipment			472			448
Operating Surplus			5,665			6,003

* 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 2022

3a ASSOCIATION TURNOVER AND OPERATING COSTS

	Turnover	2022 Operating Costs	Operating Surplus/(deficit)	Turnover	2021 Operating Costs	Operating Surplus/(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure on lettings (Note 4)	24,586	(18,959)	5,627	23,756	(17,383)	6,373
Income and expenditure on Property sales	-	-	-	1,343	(1,723)*	(380)
Other income and expenditure						
Affordable homes team	171	(541)	(370)	86	(481)	(395)
Conwy Homeless Scheme	34	(34)	-	26	(26)	-
Development services	-	(668)	(668)	-	(593)	(593)
Gorwel	2,465	(2,458)	7	2,269	(2,267)	2
HWB	143	(135)	8	96	(87)	9
Rural Housing Enablers	135	(123)	12	165	(131)	34
Other Income and Expenditure	612	(315)	297	649	(321)	328
Enterprise Centre	71	(81)	(10)	59	(89)	(30)
Energy Wardens	59	(47)	12	43	(42)	1
Y Shed, Meliden	78	(77)	1	81	(80)	1
Total	28,354	(23,438)	4,916	28,573	(23,223)	5,350
Gain on disposal of property, plant and equipment			472			448
Operating Surplus			5,388			5,798

* 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 2022

4. TURNOVER FROM LETTINGS

			2022	2021
	General Needs £'000	Supported Housing £'000	Total £'000	Total £'000
Rents	18,970	1,654	20,624	19,913
Service charge	1,400	69	1,469	1,382
	20,370	1,723	22,093	21,295
Amortisation of grant	2,324	169	2,493	2,461
Total income	22,694	1,892	24,586	23,756
Operating costs of lettings				
Services	1,527	127	1,654	1,578
Management	3,965	381	4,346	4,237
Day-to-day maintenance	4,262	525	4,787	4,509
Planned maintenance	3,431	453	3,884	2,834
Community development	588	49	637	687
Depreciation of housing properties	3,520	178	3,698	3,590
Impairment	-	-	-	19
	17,293	1,713	19,006	17,454
Losses from bad debts	(47)	-	(47)	(71)
Total expenditure	17,246	1,713	18,959	17,383
Operating surplus	5,448	179	5,627	6,373
Void Losses	267	5	272	364

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

5. UNITS UNDER MANAGEMENT

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

	2022 No.	2021 No.
General needs rented units (including social rented, intermediate rented and 'try before you buy')	3,387	3,382
Supported housing rented units	344	326
Extra care units	210	145
Shared ownership units: rented	23	23
Welsh Housing Partnership units	140	140
Rent to Own	18	13
Managed on behalf of the Charity Elizabeth Owen	7	7
Managed on behalf of the Charity Tai Ellen Glynne	10	10
	<u>4,139</u>	<u>4,046</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 (2021 - £98k). 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 (2021 - £7,873); whilst other benefits namely travel provision amounted to £5K (2021 - £5K).

During the year the number of persons, including the highest paid, who received emoluments (excluding national insurance, pension contributions and redundancy pay) in the following range was:

	2022 £'000	2021 £'000
£50,001 - £60,000	3	3
£60,001 - £70,000	1	-
£70,001 - £80,000	1	2
£80,001 - £90,000	-	-
£90,001 - £100,000	-	-
£100,001 - £110,000	1	2
	<u>1</u>	<u>2</u>

The Leadership Team's emoluments and pension:

	2022 £'000	2021 £'000
Wages and salaries (excluding redundancy costs of £20K in 2022 (2021 - £76K))	296	365
Social security costs	35	49
Pension	23	29
	<u>354</u>	<u>443</u>

During the latter end of 2020-21, a restructure of the Leadership Team took place. The new structure was operational as of 1 April 2021, with two new Directors joining Grŵp Cynefin in August 2021.

The remuneration of the Management Board and the Leadership Team is approved by the Remuneration Committee after considering the sector benchmarking information.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

During the year fees of £54,000 were paid to the Management Board members (2021 – £57,278). In accordance with the Welsh Federation of Housing Associations (WFHA) 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.

	2022 £'000	2021 £'000
Total Management Board member expenses claimed	-	1

7. EMPLOYEE INFORMATION

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

	Group 2022 No.	Group 2021 No.	Association 2022 No.	Association 2021 No.
Administrative staff	238	228	210	198
Wardens	8	8	8	8
Workforce	14	17	3	6
	<u>260</u>	<u>253</u>	<u>221</u>	<u>212</u>

	£'000	£'000	£'000	£'000
Staff costs were as follows:				
Wages and salaries	7,731	7,422	6,628*	6,307*
Social security costs and levy	745	604	641	506
Pension contributions	214	207	141	133
Actuarial adjustments	-	-	-	-
	<u>8,690</u>	<u>8,233</u>	<u>7,410</u>	<u>6,946</u>

* The wages and salaries figure above for the year ending 31 March 2022 excludes redundancy payments made for loss of office which came to a total of £20K (2021 - £76K).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

8. INTEREST RECEIVABLE

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Interest on bank and money market accounts	21	27	21	27
Other interest	1	2	1	1
	<u>22</u>	<u>29</u>	<u>22</u>	<u>28</u>

9. INTEREST PAYABLE

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Interest on loans	3,761	3,578	3,761	3,578
Interest capitalised	(533)	(310)	(533)	(310)
Interest paid on defined benefit pension liability	175	76	160	70
Other finance charges	89	158	89	158
	<u>3,492</u>	<u>3,502</u>	<u>3,477</u>	<u>3,496</u>

The refinancing costs reflect the Association's decision to refinance certain loans, which resulted in an exceptional cost of £560k, comprising loan breakage fees of £349k and a net release of previously carried forward loan fees of £211k.

10. OPERATING SURPLUS

The operating surplus is stated after charging the following:

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Depreciation – assets owned by the Association	3,968	3,810	3,955	3,793
Amortisation – capitalised grants	(2,493)	(2,461)	(2,493)	(2,461)
External auditor's remuneration (excluding VAT):				
- In their capacity as auditors	26	25	22	21
- Other services	2	2	2	2
	<u></u>	<u></u>	<u></u>	<u></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 2022

12. FIXED ASSETS – INTANGIBLE ASSETS

	Group and Association	
	Housing Software £'000	Total £'000
Cost		
At 1 April 2021	1,120	1,120
At 31 March 2022	1,120	1,120
Depreciation		
At 1 April 2021	351	351
Charge for the year	109	109
At 31 March 2022	460	460
Net book value		
At 31 March 2022	660	660
At 31 March 2021	769	769

GRŴP CYNEFIN
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2022

13. TANGIBLE FIXED ASSETS
HOUSING PROPERTIES – GROUP AND ASSOCIATION

	Rented housing		Shared o'ship	Leased properties		
	Completed schemes	Schemes under construction	Completed Schemes	Long lease	Short lease	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2021	297,259	20,429	3,944	9,738	72	331,442
Additions	-	12,574	-	-	-	12,574
Schemes completed during the year	22,023	(22,105)	65	17	-	-
Component additions to existing properties	1,714	-	-	37	-	1,751
Components removed	(396)	-	(10)	-	-	(406)
Disposals	(80)	-	(38)	-	-	(118)
At 31 March 2022	320,520	10,898	3,961	9,792	72	345,243
Depreciation						
At 1 April 2021	35,652	-	746	2,494	65	38,957
Charge for the year	3,389	-	31	173	1	3,594
Components removed	(297)	-	-	(6)	-	(303)
Disposals	(23)	-	(6)	-	-	(29)
Impairment	-	-	-	-	-	-
At 31 March 2022	38,721	-	771	2,661	66	42,219
Net book value						
At 31 March 2022	281,799	10,898	3,190	7,131	6	303,024
At 31 March 2021	261,607	20,429	3,198	7,244	7	292,485

The additions to housing properties include capitalised development staff expenditure of £529K (2021 - £461K) and capitalised interest expenditure of £534K (2021 - £310K). The cost of component additions includes capitalised staff costs of £121K (2021 £99K).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

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 2021	11,158	593	35	1,883	64	246	136	14,115
Additions	-	-	-	108	-	-	9	117
Disposals	-	-	-	-	-	-	-	-
Reclassification	-	(20)	-	20	-	-	-	-
At 31 March 2022	11,158	573	35	2,011	64	246	145	14,232
Depreciation								
At 1 April 2021	831	581	35	1,649	64	237	66	3,463
Charge for the year	113	4	-	135	-	3	10	265
Disposals	-	-	-	-	-	-	-	-
Reclassification	-	(16)	-	16	-	-	-	-
At 31 March 2022	944	569	35	1,800	64	240	76	3,728
Net book value								
At 31 March 2022	10,214	4	-	211	-	6	69	10,504
At 31 March 2021	10,327	12	-	234	-	9	70	10,652

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2022
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 2021	11,158	498	35	1,840	64	212	135	13,942
Additions	-	-	-	95	-	-	10	105
Disposals	-	-	-	-	-	-	-	-
At 31 March 2022	11,158	498	35	1,935	64	212	145	14,047
Depreciation								
At 1 April 2021	831	496	35	1,611	64	212	66	3,315
Charge for the year	113	1	-	128	-	-	10	252
Disposals	-	-	-	-	-	-	-	-
At 31 March 2022	944	497	35	1,739	64	212	76	3,567
Net book value								
At 31 March 2022	10,214	1	-	196	-	-	69	10,480
At 31 March 2021	10,327	2	-	229	-	-	69	10,627

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

15. FIXED ASSETS - INVESTMENTS

	Low-cost home ownership loans (note 25) £'000	Interest in Joint venture £'000	Total £'000
Consolidated			
At 1 April 2021	25,475	4,465	29,940
Additions	568	-	568
Disposals	(1,055)	-	(1,055)
Share in joint venture	-	25	25
	<u>24,988</u>	<u>4,490</u>	<u>29,478</u>
Association			
At 1 April 2021	25,475	5,502	30,977
Additions	568	-	568
Disposals	(1,055)	-	(1,055)
	<u>24,988</u>	<u>5,502</u>	<u>30,490</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 2022 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	7,625	30%
Pennant Housing Association Ltd (Coastal Group)	8,880	(3,989)	4,891	7,625	30%
Pobl Group Limited	8,880	(3,989)	4,891	7,625	30%
Grŵp Cynefin	2,960	(1,330)	1,630	2,542	10%
At 31 March 2022	<u>29,600</u>	<u>(13,297)</u>	<u>16,303</u>	<u>25,417</u>	<u>100%</u>

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 2021. These financial statements show a profit after tax in WHP of £50K (2021 – £99K loss) for the year and a profit after tax in WHP2 of £203K (2021 – £39K).

During the year, Grŵp Cynefin and the associated partners within WHP did not invest further in WHP2 Limited (WHP2).

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2022**

	WHP £'000	WHP2 £'000	Total £'000
Consolidated			
At 1 April 2021	1,896	2,569	4,465
Additions	-	-	-
Share of (loss) / profit	5	20	25
	<hr/>	<hr/>	<hr/>
At 31 March 2022	1,901	2,589	4,490
	<hr/>	<hr/>	<hr/>
Association			
At 1 April 2021	2,960	2,542	5,502
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2022	2,960	2,542	5,502
	<hr/>	<hr/>	<hr/>
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 2022, Grŵp Cynefin had prepaid £105,017 (2021-£107,901) 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 2021 (2020 – nil), at the same time no distribution was made to their shareholders (2020 – 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 profit of £5K (2021-£10K 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 £20K (2021- £4K) 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.

16. STOCK

	Group		Association	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Properties for sale	285	474	285	474
Other stock	66	43	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	351	517	285	474
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2022****17. DEBTORS: AMOUNTS RECEIVABLE WITHIN ONE YEAR**

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Rent debtors: Debit balances	810	989	810	989
Bad debt provision	(720)	(899)	(720)	(899)
	<u>90</u>	<u>90</u>	<u>90</u>	<u>90</u>
Staff loans	39	73	39	73
Prepayments and accrued income	585	463	577	456
Loans to First Time Buyers from Flintshire Co. Council	100	100	100	100
Other debtors	9,324	2,931	9,065	2,606
	<u>10,138</u>	<u>3,657</u>	<u>9,871</u>	<u>3,325</u>

17a. DEBTORS: AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR

	Group and Association	
	2022	2021
	£'000	£'000
Capital grants	<u>9,359</u>	<u>9,626</u>

18. CURRENT ASSET INVESTMENTS

	Group and Association	
	2022	2021
	£'000	£'000
Money in short-term deposit accounts	<u>6,047</u>	<u>7,529</u>

19. CREDITORS: AMOUNTS PAYABLE WITHIN ONE YEAR

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Housing loans (note 21)	414	9,404	414	9,404
Rent received in advance	429	347	429	347
Trade creditors	2,307	3,019	2,138	2,937
Capital grants in advance	11,207	4,734	11,186	4,704
Deferred Income	156	205	156	205
Taxation and social security	177	243	174	240
Mortgage and loan interest accrued	709	683	709	683
Accruals	2,034	2,101	2,018	2,069
Social Housing and other Government Grants (note 22)	2,615	2,434	2,615	2,434
	<u>20,048</u>	<u>23,170</u>	<u>19,839</u>	<u>23,023</u>

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2022****20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group and Association	
	2022	2021
	£'000	£'000
Right to buy reserves	83	83
Recycled capital grant fund	6,796	6,618
Conwy Council recycled grant reserve	1	1
Housing loans (note 21)	128,245	116,811
Loan from Flintshire County Council – First Time Buyer Agreement	100	100
Deferred Income	864	912
Social Housing and other Government grants (note 22)	183,283	180,819
	<u>319,372</u>	<u>305,344</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 3.28% (2021 – 3.67%). Security offered for the loans is housing land and buildings.

20a. PROVISIONS FOR LIABILITIES AND CHARGES**Group and Association**

	Additional property sale costs £'000	Major renovation £'000	Total £'000
At 1 April 2021	505	-	505
Utilised in the year	(70)	-	(70)
Provided for in the year	-	336	336
At 31 March 2022	<u>435</u>	<u>336</u>	<u>771</u>

The additional property sale costs relate to additional works undertaken to make good properties built for re-sale. The major renovation provision is to make good a relatively newly acquired site.

21. ANALYSIS OF HOUSING LOANS

	Group and Association	
	2022	2021
	£'000	£'000
The debt is repayable as follows:		
Due between one and two years	4,440	4,430
Due between two and five years	2,830	21,618
After five years	122,245	91,920
Loan fees	(1,270)	(1,157)
	<u>128,245</u>	<u>116,811</u>
Due within one year (note 19)	414	9,404
	<u>128,659</u>	<u>126,215</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

22. GOVERNMENT GRANTS

Group and Association

	Housing Properties £'000	Other Fixed Assets £'000	Investments £'000	Total £'000
Deferred income - Grants				
At 1 April 2021	181,824	4,285	29,008	215,117
Grants receivable	5,648	1	654	6,303
Grant disposals	(61)	-	(1,127)	(1,188)
At 31 March 2022	187,411	4,286	28,535	220,232
Amortisation				
At 1 April 2021	31,521	343	-	31,864
Amortisation	2,451	42	-	2,493
Grant disposals	(23)	-	-	(23)
At 31 March 2022	33,949	385	-	34,334
Net book value				
At 31 March 2022	153,462	3,901	28,535	185,898
At 31 March 2021	150,303	3,942	29,008	183,253
Due within one year				2,615
Due after one year				183,283

The grants receivable includes £698k of retrofit grant in the year ending 31 March 2022.

	RCG* £'000	Right to Acquire RCG* £'000	Total £'000
Consolidated and Association			
At 1 April 2021	6,618	83	6,701
Additions	1,074	-	1,074
	7,692	83	7,775
Recycled: new build	(424)	-	(424)
Recycled: homebuy	(472)	-	(472)
At 31 March 2022	6,796	83	6,879
Amounts three years old or older where repayment may be required			2,772

* RCG = Recycled Capital Grant fund

23. SHARE CAPITAL

	Group and Association	
	2022	2021
	£	£
Allotted, issued and fully paid, ordinary shares of £1 each		
At 1 April 2021	71	73
Additions	14	-
Deductions	(37)	(2)
At 31 March 2022	48	71

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

24. CAPITAL COMMITMENTS

	Group and Association	
	2022	2021
	£'000	£'000
Expenditure contracted for but not provided for in the financial statements	3,390	4,370
Expenditure authorised but has not yet been contracted for	11,439	15,750
	<u>14,829</u>	<u>20,120</u>

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

Operating leases

Amounts payable in respect of leases in the following periods for:	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Office rental:				
Within 12 months	46	45	-	-
One to two years	47	45	-	-
Two to five years	89	131	-	-
	<u>182</u>	<u>221</u>	<u>-</u>	<u>-</u>
Office equipment rental:				
Within 12 months	13	21	9	18
One to two years	1	19	-	9
Two to five years	-	8	-	-
	<u>14</u>	<u>48</u>	<u>9</u>	<u>27</u>
Vehicle leases:				
Within 12 months	18	17	-	-
One to two years	5	17	-	-
Two to five years	3	9	-	-
	<u>26</u>	<u>43</u>	<u>-</u>	<u>-</u>

25. 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 the balance being funded by Grŵp Cynefin as at 31 March 2022. They become repayable on a subsequent disposal of the property.

26. 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 2022

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it 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 is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive. The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2022 to 29 February 2023 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.

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. The process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of the Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

GROUP SOCIAL HOUSING PENSION SCHEME (SHPS)

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)	31 March 2022 (£000s)	31 March 2021 (£000s)
Fair value of plan assets	30,733	28,634
Present value of defined benefit obligation	34,835	36,915
Surplus (deficit) in plan	(4,102)	(8,281)

Reconciliation of opening and closing balances of the defined benefit obligation	Year ending 31 March 2022 (£000s)
Defined benefit obligation at start of period	36,915
Expenses	21
Interest expense	809
Actuarial losses (gains) due to scheme experience	1,319
Actuarial losses (gains) due to changes in demographic assumptions	(508)
Actuarial losses (gains) due to changes in financial assumptions	(3,085)
Benefits paid and expenses	(636)
Defined benefit obligation at end of period	34,835

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

Reconciliation of opening and closing balances of the fair value of plan assets	Year ending 31 March 2022 (£000s)	
Fair value of plan assets at start of period	28,633	
Interest income	634	
Experience on plan assets (excl. amounts included in interest income) - gain (loss)	2,607	
Contributions by the employer	815	
Benefits paid and expenses	(636)	
Fair value of plan assets at end of period	30,733	
The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2021 to 31 March 2022 was £1,919,000.		
Defined benefit costs recognised in statement of comprehensive income (SOCİ)	Year ending 31 March 2022 (£000s)	
Expenses	21	
Net interest expense	175	
Defined benefit costs recognised in statement of comprehensive income (SOCİ)	196	
Defined benefit costs recognised in other comprehensive income	Year ending 31 March 2022 (£000s)	
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	1,285	
Experience gains and losses arising on the plan liabilities - gain (loss)	(1,319)	
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	508	
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	3,085	
Total amount recognised in other comprehensive income - gain (loss)	3,559	
Assets	31 March 2022 (£000s)	31 March 2021 (£000s)
Global Equity	5,897	4,564
Absolute Return	1,233	1,580
Distressed Opportunities	1,100	827
Credit Relative Value	1,021	901
Alternative Risk Premia	1,013	1,078
Fund of Hedge Funds	-	3
Emerging Markets Debt	894	1,156
Risk Sharing	1,012	1,042
Insurance-Linked Securities	717	687
Property	830	595
Infrastructure	2,189	1,909
Private Debt	788	683
Opportunistic Illiquid Credit	1,032	728
High Yield	265	857
Opportunistic Credit	109	785
Cash	105	-
Corporate Bond Fund	2,050	1,692
Liquid Credit	-	342
Long Lease Property	791	561
Secured Income	1,145	1,191
Liability Driven Investment	8,577	7,279
Currency Hedging	(120)	-
Net Current Assets	85	174
Total assets	30,733	28,634

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

None of the fair values of the assets shown on page 55 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 2022 % per annum	31 March 2021 % per annum
Discount Rate	2.79%	2.21%
Inflation (RPI)	3.49%	3.24%
Inflation (CPI)	3.15%	2.87%
Salary Growth	4.15%	3.87%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

Sensitivity analysis

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

Change in assumptions at 1 March 2022	Approximate % increase to employer liability	Approximate monetary amount (£'000)
0.1% decrease in real discount rate	19.25%	£790
0.1% increase in the salary increase rate	1.68%	£69
0.1% increase in CPI and RPI	12.69%	£521

ASSOCIATION SOCIAL HOUSING PENSION SCHEME (SHPS)

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)	31 March 2022 (£000s)	31 March 2021 (£000s)
Fair value of plan assets	28,172	26,289
Present value of defined benefit obligation	31,919	33,870
Surplus (deficit) in plan	(3,747)	(7,581)

Reconciliation of opening and closing balances of the defined benefit obligation	Year ending 31 March 2022 (£000s)
Defined benefit obligation at start of period	33,870
Expenses	17
Interest expense	742
Actuarial losses (gains) due to scheme experience	1,192
Actuarial losses (gains) due to changes in demographic assumptions	(466)
Actuarial losses (gains) due to changes in financial assumptions	(2,837)
Benefits paid and expenses	(599)
Defined benefit obligation at end of period	31,919

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

Reconciliation of opening and closing balances of the fair value of plan assets		Year ending 31 March 2022 (£000s)
Fair value of plan assets at start of period		26,288
Interest income		582
Experience on plan assets (excl. amounts included in interest income) - gain (loss)		1,153
Contributions by the employer		748
Benefits paid and expenses		(599)
Fair value of plan assets at end of period		28,172
The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £1,735,000.		
Defined benefit costs recognised in statement of comprehensive income (SOCİ)		Year ending 31 March 2022 (£000s)
Expenses		17
Net interest expense		160
Defined benefit costs recognised in statement of comprehensive income (SOCİ)		177
Defined benefit costs recognised in other comprehensive income		Year ending 31 March 2022 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)		1,153
Experience gains and losses arising on the plan liabilities - gain (loss)		(1,192)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)		466
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)		2,837
Total amount recognised in other comprehensive income - gain (loss)		3,264
Assets	31 March 2022 (£000s)	31 March 2021 (£000s)
Global Equity	5,406	4,190
Absolute Return	1,130	1,451
Distressed Opportunities	1,008	759
Credit Relative Value	936	827
Alternative Risk Premia	929	990
Fund of Hedge Funds	-	3
Emerging Markets Debt	820	1,061
Risk Sharing	928	957
Insurance-Linked Securities	657	631
Property	761	546
Infrastructure	2,007	1,753
Private Debt	722	627
Opportunistic Illiquid Credit	946	668
High Yield	243	787
Opportunistic Credit	100	721
Cash	96	-
Corporate Bond Fund	1,879	1,553
Liquid Credit	-	314
Long Lease Property	725	515
Secured Income	1,050	1,093
Liability Driven Investment	7,861	6,683
Currency Hedging	(110)	-
Net Current Assets	78	160
Total assets	28,172	26,289

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

None of the fair values of the assets shown on page 57 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 2022 % per annum	31 March 2021 % per annum
Discount Rate	2.79%	2.21%
Inflation (RPI)	3.49%	3.24%
Inflation (CPI)	3.15%	2.87%
Salary Growth	4.15%	3.87%
Allowance for commutation of pension for cash at retirement	75% of max. allowance	75% of max. allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

Sensitivity analysis

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

Change in assumptions at 1 March 2022	Approximate % increase to employer liability	Approximate monetary amount (£'000)
0.1% decrease in real discount rate	19.38%	£726
0.1% increase in the salary increase rate	1.63%	£61
0.1% increase in CPI and RPI	12.8%	£480

27. CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 £'000	2021 £'000
Cash flows from operating activities		
Surplus for the financial year	1,660	2,488
Adjustments for non-cash items:		
Other comprehensive income	(795)	(778)
Depreciation of property plant and equipment	3,665	3,650
Impairment of housing properties	-	19
Amortisation of grants	(2,470)	(2,330)
Surplus share in joint venture	(25)	6
Revaluation loss on investment property	-	-
Decrease / (Increase) in trade debtors and other receivables	568	(167)
Decrease in stock	166	1,354
(Increase) / Decrease in trade creditors	(594)	1,641
Total non-cash adjustments	515	3,395
Adjustments for investing or financing activities:		
Profit on disposal of property, plant and equipment	(472)	(448)
Refinancing costs	560	-
Interest payable	3,492	3,502
Interest receivable	(22)	(29)
Total investing or financing activities	3,558	3,025
Cash generated by operations	5,733	8,908

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2022

	2022	2021
	£'000	£'000
Increase in cash and cash equivalents		
Cash	6,398	8,572
Investments	6,047	7,529
	<u>12,445</u>	<u>16,101</u>

NET DEBT RECONCILIATION

	1 April	Cash flows	31 March
	2021		2022
	£'000	£'000	£'000
Cash and cash equivalents			
Cash	8,572	(2,174)	6,398
Investments	7,529	(1,482)	6,047
	<u>16,101</u>	<u>(3,656)</u>	<u>12,445</u>
Borrowings			
Debt due within one year	(9,404)	8,990	(414)
Debt due after one year	(117,968)	(11,547)	(129,515)
	<u>(127,372)</u>	<u>(2,557)</u>	<u>(129,929)</u>
	<u>(111,271)</u>	<u>(6,213)</u>	<u>(117,484)</u>

FREE CASH FLOW

	2022	2021
	£'000	£'000
Net cash generated from operating activities	5,733	8,908
Interest paid	(3,492)	(3,502)
Interest received	22	29
Adjustments for reinvestment in existing properties		
Components replaced	(1,345)	(924)
Purchase of other replacement fixed assets	(14,432)	(12,221)
Component replacement grant received	-	-
	<u>(13,514)</u>	<u>(7,710)</u>
Free cash consumed before loan repayments	(13,514)	(7,710)
Loans repaid (excluding revolving credit and overdraft)	(38,512)	(7,728)
	<u>(52,026)</u>	<u>(15,438)</u>

28. 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 in 2021, as a contribution towards the cost of fees to support the HAG's exploration of available sites.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

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.

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. Further information regarding these transactions are states in note 15.

The Association also provided rented accommodation to a tenant Management Board Member last financial year. The tenancy was on normal commercial terms and the relevant Management Board Member could not use their position to their advantage. The rent payable in the year by the tenant Management Board Member came to a total of £0 (2021- £5,034), £0 was outstanding (2021- £28) at the year-end.

The Association also acts as the Corporate Trustee for two Alms-house Charities; The Charity of Elizabeth Owen, Llanfair Dyffryn Clwyd and Ellen Glynne Homes, Llandwrog. The Alms-houses are separate entities registered with the Charity Commission under charity numbers 237078 and 219790 respectively. All transactions with the Alms-houses are conducted on an arm's length basis. Grŵp Cynefin has charged housing management services to the Alms-houses during the year to the value of £6,811 (2021 - £6,811). The financial statements of the Alms-houses are not consolidated within the financial statements of Grŵp Cynefin as an exemption from group accounts was received from the FCA in May 2022.

29. 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
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. We continue to retain Cywaith cyf as there may be an option to utilise it again in the future.

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 £0 (2021 - £13,815) within the year-ending 31 March 2022.