Taff Housing Association
Cymdeithas Tai Taf

REPORT & FINANCIAL STATEMENTS 31.03.2019

#notjusthousing

CONTENTS

MANAGEMENT & ADVISERS

BOARD OF MANAGEMENT

Name	Profession	Appointed in year	Resigned
Andrew Knight	HR Specialist		
Dianne Bevan	Retired Solicitor	(Vice Chair)	
Heidi Beverstock	Tenant		
Keith Abdi	Retired Housing Officer, Tenant		
Keith Edwards	Housing Specialist	(Chair)	
Michael Jones	Risk Management Specialist	(Chair of Audit & Risk)	11.09.18
Michelle Davis	Local Business Owner	(Vice Chair)	11.09.18
Samantha Taylor	Finance Specialist	(Chair of Audit & Risk)	Resigned June 2019
Sue Carleton	Tenant		11.09.18 (retired by rotation)
Luke Hodge	IT Specialist		
Natalie Bell	Development Specialist		Resigned Jan 2019
Ibrar Mian	Building Surveyor		
Elke Winton	Support Services Specialist		Resigned 21.01.19
James Rides	Tenant Participation	June 2019 Co-opted	

COMPANY SECRETARY

Secretary: Kathryn Innes

SENIOR EXECUTIVES

Current Job Title	Name	Appointed in year	Resigned
Chief Executive	Elaine Ballard		June 2019 (Retired)
Executive Director, People & Places	Hayley Selway		February 2019
Executive Director, Business & Finance	Kathryn Innes		
Executive Director, People & Places	Jacqueline Amos	February 2019	

REGISTERED OFFICE

Alexandra House
307-315 Cowbridge Road East
Cardiff CF5 1JD

Registered under the Co-operative and Community Benefits Act 2014 No. 21408R
Taff Housing Association has adopted charitable rules.
Registered by The Welsh Government No. L009

MANAGEMENT & ADVISERS

PRINCIPAL BANKERS
Barclays Bank PLC
Nationwide Building Society
Co-operative Bank
Dexia Public Finance Bank
Capita
THFC
M&G
Santander Plc
Principality Building Society

AUDITORS
Bevan & Buckland
Chartered Accountants
Langdon House, Langdon Road
SA1 Swansea Waterfront, SA1 8QY

INTERNAL AUDITORS
TIAA Ltd
54-56 Gosport Business Centre
Aerodrome Road, Gosport
PO13 0FQ

SOLICITORS
Hugh James Solicitors
Blake Morgan

CORPORATE GOVERNANCE

BOARD OF MANAGEMENT

Taff Housing Association is controlled by a voluntary Board of up to 15 members which is ultimately responsible for the Association including the overall strategic direction and aims of the organisation as well as policies, finance and monitoring compliance. All members of the Board are Non-Executive Directors and have the right to cast one vote each with the Executive Directors attending meetings to present reports but holding no voting rights.

Day-to-day operations are delegated to the Senior Executives. The Senior Executives comprise a Chief Executive, an Executive Director of Business & Finance and an Executive Director of People & Places.

The Board are committed to the highest standards of governance and subscribe to Community Housing Cymru's Code of Governance and the UK Corporate Governance Code.

BOARD STRUCTURE

The Board meets approximately every month and a minimum of 1 away day each year to consider the strategic direction and the priorities of the Association. Strategic work is also complimented by a series of Board led workshops and business groups to augment the overall work of the Board.

The following two committees support the work of the Board and comprise of Board Members:

Audit & Risk Committee

This committee is made up of 5 members of the Board and is led by the Chair of Audit & Risk. They meet four times per year.

The key responsibilities of the Audit & Risk Committee are: delegated responsibility from Board for the financial reporting; monitoring external audit, internal audit, risk assurance and controls. It meets with both sets of auditors at least annually and receives reports from the Welsh Government.

Events of a serious financial nature will be reported directly to the Association's Chair. No such events arose during the year.

Remuneration Committee

The Remuneration committee is made up of 3 Board members and is responsible for reviewing salary policies along with receiving the annual benchmarking exercise for all salaries, and, for making recommendations to Board regarding any salary uplifts including the Senor Executive team remuneration for consideration.

STRATEGIC RISK

The Board has responsibility for the management of those risks which may prevent the Association from achieving its objectives. It achieves this through regular review and reporting on key strategic risks to the organisation at Board level; review of Risk Assurance Framework at Audit Committee bi-annually and ongoing review by senior management team.

Annually as part of the corporate planning process the risks are considered and reviewed jointly by Board and the Executive Team. The following process is followed in reaching our conclusions:

- Understanding of the external environment
- Review of previously identified risks
- Review of newly emerging risks having reflected upon changes in service delivery
- An assessment of possible consequences (severity and likelihood)
- Consideration of the likely direction of travel regarding each specific risk (increasing, static or decreasing risk)
- Identification of 'risk owners' within the management team, who are responsible for agreeing actions which mitigate the potential impact of the identified risks

Key strategic risks are identified, discussed and action plans are developed. The Risk interaction is considered in order to understand compound impact of risks occurring in combinations. Major risks, presenting the greatest threats to the Association are reported to the Board monthly and reviewed quarterly by Audit & Risk Committee alongside actions taken to manage those risks.

In 2019 an internal Risk and Assurance team has been established with day to responsibility for auditing and validation of controls and actions identified. They also provide an independent governance resource for Board.

CORPORATE GOVERNANCE

INTERNAL FINANCIAL CONTROL

The Board acknowledges it's responsible for ensuring that the Association has in place a system of controls that are appropriate for the various business environments in which the Association operate.

These controls are designed to give reasonable assurance with respect to the following:

- The reliability of the financial information used within the Association;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposal.

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

- formal policies and procedures in place including the documentation of key systems and rules relating to delegation of authorities, which allows the monitoring of controls and restricts the unauthorised use of the Association's assets;
- forecasts, budgets and management information are prepared which allow the Board to monitor the key business risks, objectives and progress towards financial plans set out in the short, medium and longer term. Regular management accounts are prepared and presented to Board and significant variances are investigated as appropriate;
- experienced and suitably qualified staff take responsibility for important business functions. Annual procedures are in place to maintain standards of performance;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedure by the Board;
- The Board undertake a regular review of the major risks facing the Association;
- the Audit Committee review the reports from management, internal auditors and external audit to provide assurance that control procedures are in place and being followed; and
- self-evaluation

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2019

The Board of Management presents its report and audited financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Association's principal activities are the development and management of social housing and providing support services.

STATEMENT OF BOARD OF MANAGEMENT RESPONSIBILITIES

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

The Co-operative and Community Benefit Societies Act and Registered Social Housing legislation requires the Board of Management to prepare financial statements for each year that give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing the 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 and Statements of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 'going concern' basis unless it is appropriate to presume that the Association will not continue in business.

The Board of Management is responsible for keeping proper books and records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with Co-operative and Community Benefit Societies Acts.

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

BOARD OF MANAGEMENT

Taff's Board members who served throughout the year and Senior Executives are listed on page 2.

Each member of the Board holds one fully paid share of £1 each in the Association. The Senior Executives hold no interest in the Association's shares and have no legal status as Directors, although they act as Executives within the authority delegated by the Board.

OUR PEOPLE

Taff's strength lies in the quality and commitment of its staff. Our ability to continue to meet our objectives and our commitment to our Service Users and Tenants is dependent on the contribution of staff across the whole Association.

Taff has a well-developed Human Resources structure which is designed to engage with staff, charting development and ensuring all staff understand their personal objectives as well as those of the Association. Taff believe that successful delivery of the organisation's Business Plan is based upon a strong resilient and skilled team. A positive culture of trust and mutual respect is essential along with a Learning and Development programme that creates the right environment for an empowered team to deliver. To this end Taff this year appointed a Learning and Development Officer to support the Association to ensure that it was getting the best out of our staff.

Recognising the skills shortages in the labour market and difficulties recruiting throughout the sector Taff's People Strategy also encompasses a number of strands to ensure that we can attract, retain and develop. These include leaders at all levels, 'grow your own' to provide career paths internally and an opportunities based culture.

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2019

Taff is committed to equal opportunities for all its employees, customers and stakeholders. The Association has a staff-led Equality & Diversity Group which reports to the Board annually on Equality Impact Assessments and policies. Relevant training on equality and diversity is part of our core-training programme for all staff. The Association has taken positive steps to ensure both the Board and staff are representative of the wider community and are responsive to the community's diverse needs.

Taff are signed up to the Chartered Institute of Housing 'Leading Diversity by 2020' initiative and continues to be an accredited Living Wage Employer.

HOUSING ASSOCIATION REGULATORY JUDGEMENT

Taff Housing Association was reviewed by Welsh Government in the fourth quarter of the year with our regulatory judgement published in March 2019.

The judgement is based upon:

- the Association's own evaluation of its compliance with the performance standards
- regulatory intelligence gained through on-going, co-regulatory relationship management between Taff and our Regulator

This judgement provides the Registered Social Landlord, its tenants, service users and other stakeholders with an understanding of its financial viability and how well it is performing, at a specific moment in time, in relation to:

- Governance and Service Delivery
- Financial Management

Our overall assessment concluded under the Co-Regulation Status – March 2019 that:

Governance and Services - Standard

- Identifies and manages new and emerging risks appropriately

Financial Viability - Standard

- Meets viability requirements and has the financial capacity to deal with scenarios appropriately

The new Regulatory Framework has four levels of judgement of which "standard" is the highest and confirms that the Association is being run in an effective manner, deals with operational risks appropriately and meets the Regulator's financial viability requirements. Additionally, it confirms that effective treasury management is in place and that there is sufficient liquidity at all times.

The 'standard' judgement for Financial Viability also confirms that the Board has a clear understanding of liabilities and asset performance and that these deliver value for money across the business.

As part of that review Taff was required to demonstrate that it had:

- Robust Asset & Liability Register in place;
- Robust scenario testing of business plans undertaken;
- Strong and effective management

Part of the Regulatory Framework is an understanding that all housing associations should strive for continuous improvement and have the capacity to do so. The Regulator has identified key priorities for the sector which includes:

- Effective Board delivering good outcomes
- Effectiveness of Health & Safety performance reporting and monitoring
- Compliance with all regulatory returns
- Good data integrity for Asset Management
- Effective Asset Management Strategy introduced.

The Association will through a programme of continuous improvement carry on building on the work already to ensure that its services remain at a high level and evolve with need. These include further development of:

- Co-producing services with tenants and service users
- Embedding a value for money culture
- Review of internal processes

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2019

REVIEW OF BUSINESS

March 2019 is the end of the second year of Taff's Five year Business Plan (Building Foundations for Better Futures #BFBF #1722). We have continued with our programme of 'Building Foundations' to enable our ambitions to be fulfilled over the whole period. The programme has now completed on infrastructure projects, including cyber security and server reconfiguration; Housing Management has been merged with the Repairs team and Customer Service under the leadership of one Head of Service; Development, Asset Management and Landlord Compliance have also been merged under one Head of Service and a new Risk and Governance team has been set up to provide assurance service to the Board and a resource for additional testing. During the year a Value for Money Strategy and Action Plan for delivery was launched, and our Treasury Strategy was reviewed for continued relevance in supporting the delivery of the Business Plan objectives.

During this financial year, Taff was on site with 89 new homes in three locations; 19 of these homes are nearing completion and will be handed into Housing Management for occupation as part of our general housing portfolio in the summer of 2019. The remainder will be completed in 2020.

Taff continues to work closely with Cardiff Council to meet the housing needs within the community we serve. We provided homes to 35 people on the homeless priority list and in total provided accommodation to an additional 106 individuals. 11 properties were made available to downsizing during the year along with 45 homes being adapted to meet the changing needs of the resident of which 30 were fast track applications.

Universal Credit has continued to be rolled out across Wales and Taff now has 166 tenants in receipt. We have strengthened the Rents team and invested in new software to assist in trend analysis. The accounts show an increase in arrears which now stands at £237K (3.2%). This underlies the impact of Universal Credit which accounts for 52% of the arrears although only 15% of our tenants pay their rent in this way. We will continue to monitor carefully the impact of Universal Credit on the organisation.

The Tenant Scrutiny Panel last year undertook several pieces of work for the Association as our "Expert Consultants". They reviewed voids, ASB's and rents and made 8 recommendations all of which have been accepted and implemented. Taff values the views and opinions of our tenants and services users and has increased consultations and opportunities to engage more widely, including through pulse surveys and events.

Our Repairs team continue to improve on delivery and this year delivered over 4,500 reactive repairs along with installing 49 kitchens and 24 boiler replacements on our properties.

Taff purchased one property during the year which was adjacent to a property currently run as a homeless hostel. Taff reconfigured both properties to create an additional 10 bed spaces in a much needed service area on behalf of our managing partner.

Taff this year was part of a successful consortium which won the Cardiff Young Persons support service contract. The new contract will run for up to 7 years and is in partnership with Salvation Army and Church Army. During the year the Support Service team were also successful in winning a contract for the first time in Bridgend to support Ex-offenders. This is an expansion of our existing work in this area and a part of our geographical growth plan. Further contracts for Asylum seekers support was also awarded in Newport.

Our Community Investment team along with their team of 22 volunteers delivered a wide range of services to our tenants and the wider community. This included training for over 300 individuals, 2 community fun days, 6 pops community events, litter picks, give and gain days as well as supporting our tenant engagement groups.

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2019

REVIEW OF FINANCIAL PERFORMANCE

The financial result for 2019 was a surplus of £1,160k before re-measurement costs of the pension liability totalling £1,255K resulting in a deficit of £95K before transfers to reserves, and an operating surplus of £2.6M compared to an operating surplus of £2.1M in 2018. The loss in the year is as a direct result of the changes to the accounting for the Pension schemes following the preparation of the Triennial Valuation and the presentation of individual scheme liabilities as opposed to apportionment of the combined liability. Operational surplus has improved through better management of costs and increased income as a result of additional properties in management. There was no adjustments to the accounts as a result of reclassification or additional depreciation charges compared to 2018 where a one off correction of £475k was made.

Capital and reserves decreased from £13.0M to £12.9M in the year as a result of the change in accounting method for the pension deficit (comparable figure is £14.3M).

The Association's free cash inflow before loan repayments was £2.1M in the year compared to £1.3M in 2018 which is reflective of the level of new home construction which is currently underway. Free cash flow is representative of operational efficiency (cash operating surplus before non–capitalised major repairs to our properties) and our ability to reinvest in our property stock and meet capital and interest payments on our borrowings. It is a principal financial metric for the Association and for the Regulator.

Interest cover was 203% and gearing 42% with covenant limits of 110% for interest and 55% for gearing. The Board are satisfied that the Association comfortably met its lender financial covenants.

The Association's turnover increased on the previous year to £12M driven by an increase in homes that we developed and the annual regulated rental increase.

Investment in Taff properties was £9.4M in the year, including expenditure in the year on maintenance which was £3.3M. This cost includes both reactive repairs to our properties and the on-going costs required to continue to maintain both landlord safety compliance and regulatory compliance with WHQS standards of homes.

Interest and financing costs are £1.4M (2018- £1.4M). Included in interest costs are £84K in relation to net interest loss on the defined benefit pension scheme liabilities. The Association has improved its cash management in the year, with the effective use of the Welsh Government Land Loan schemes and timely receipt of Grants which maintained a strong cash position throughout the year and reduced the need for additional borrowing to support development schemes. Net borrowings decreased by £2.2M in the year and, the average interest rate was 4.14%.

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KEY JUDGEMENTS AND ESTIMATES

In preparing the financial statements, the Board has made the following key judgements and estimates:

- Housing Property has a useful economic life of 100 years;
- The Association at the point of adopting FRS102 decided not to opt to revalue the housing properties as at the date of adoptions;
- To rely upon the advice of Quantum Advisory in establishing the assumptions for the pension valuations.

DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the Board is aware:

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

AUDITORS

A resolution to reappoint Bevan Buckland LLP as auditors will be proposed at the Annual General meeting on 17th September 2019.

By Order of the Board

K R Innes
Secretary

25th July 2018

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TAFF HOUSING ASSOCIATION LIMITED

For the year ended 31 March 2019

In addition to our audit on the financial statements for the year ended 31st March 2018, we have reviewed the Board's statement of Taff Housing Association ("the association") compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

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

We are not required to form an opinion on the effectiveness of the Association's corporate governance procedures or its internal financial control.

OPINION

With respect to the Board's statement on internal financial control on pages 4 & 5, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.

Bevan + Buckland

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

Date: 25th July 2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019	2018
		£000	£000
Turnover	3	12,087	11,692
Operating costs	3	(9,520)	(9,602)
Operating surplus		2,567	2,090
Gain on disposal of properties plant and equipment	7	-	-
Interest receivable		13	5
Interest and financing costs	8	(1,420)	(1,414)
Movement in fair value of investments		-	-
Surplus for the year		1,160	681
Re-measurement of pension liability		-	20
Other Comprehensive income			
Initial recognition of multi-employer		(1,621)	-
Actuarial gain in respect of pension scheme		366	-
Total Comprehensive income for the year		(95)	701

The Association's results relate wholly to continuing activities. The accompanying notes form part of The financial statements were authorised and approved by the Board of Management on 25th July 2019.

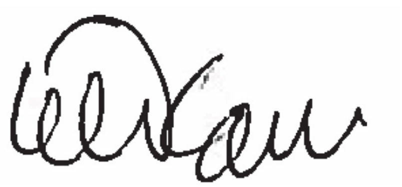
Keith Edwards **Chair**	**Dianne Bevan** **Vice Chair**	**Kathryn Innes** **Secretary**

STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Housing properties	10	105,104	99,983
Other tangible fixed assets	13	2,232	2,354
Investments	12	1,142	1,142
		108,478	103,479
Current assets			
Cash and cash equivalents		5,139	5,582
Trade and other debtors	14	3,834	2,716
		8,973	8,298
Current liabilities			
Creditors: amounts falling due within one year	15	(8,064)	(10,626)
Social housing and other government grants: amounts falling due within one year	18	(728)	(683)
Net current assets/(liabilities)		181	(3,011)
Total assets less current liabilities		108,659	100,468
Creditors: amounts falling due after one year	16	(32,675)	(30,222)
Social housing grant due after one year	18	(60,448)	(56,059)
Pension liability due after one year		-	(1,213)
Pension provision – defined benefit liability	24	(2,657)	-
Total net assets		12,879	12,974
Capital & Reserves			
Share Capital	21	-	-
Revenue Reserves	22	12,625	12,718
Restricted Reserves		254	256
Total Capital and Reserves		12,879	12,974

The financial statements were approved by the Board of Management on 25th July 2019 and signed on its behalf by:



Keith Edwards
Chair

Dianne Bevan
Vice Chair

Kathryn Innes
Secretary

STATEMENT OF CHANGES TO RESERVES

For the year ended 31 March 2019

	Restricted Reserves	Revenue Reserve	Total	Total
			2019	2018
	£000	£000	£000	£000
As at 1 April 2018	256	12,718	12,974	12,273
Surplus for year	-	(95)	(95)	701
Transfers to/from reserves	(1)	1	-	-
Movement in year	(1)	(94)	(95)	701
As at 31 March 2019	255	12,624	12,879	12,974

STATEMENT OF CASH FLOW

For the year ended 31 March 2019

	Notes	2019	2018
		£000	£000
Net cash generated from operating activities	23	3,924	2,965
Cash flow from investing activities:			
Purchase and development properties		(5,819)	(1,847)
Purchase or other replacement fixed assets		(130)	(121)
Proceeds from sale of properties and other fixed assets		-	-
Component replacements		(439)	(184)
Investments		-	-
Grants received		5,581	465
Interest received		13	5
		3,130	1,283
Interest and loan costs paid		(1,278)	(1,335)
New secured loans and drawdowns from existing facilities		1,415	6,293
Loans repaid		(3,710)	(1,130)
Net increase in cash and equivalents		(443)	5,111
Cash and cash equivalents at the beginning of year		5,582	471
Cash and cash equivalents at the end of year		5,139	5,582

Free cash flow		**2019**	**2018**
For the year ending 31 March		**£000**	**£000**
Net cash generated from operating activities	23	3,924	2,965
Interest and loan costs paid		(1,278)	(1,335)
Interest received		13	5
Adjustments for reinvesting in existing properties:			
Purchase or other replacement fixed assets		(130)	(121)
Component replacements		(439)	(184)
Free cash generated before loan repayments		2,090	1,330
Loans repaid		(3,710)	(1,130)
Free cash generated after loan repayments		(1,620)	200

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. LEGAL STATUS

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered social landlord.

2. ACCOUNTING POLICIES

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

General Information and basis of accounting

The financial statements have been prepared in accordance with UK generally accepted Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. Taff Housing Association is a public benefit entity, as defined in FRS102 and applies the relevant paragraphs prefixed 'PBE' in FRS102.

Property, plant and equipment – housing properties

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

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives, a full year's depreciation is charged in the year the properties are transferred into management. Freehold land is not depreciated.

Major components

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

Structure	100 years
Kitchen	15 years
Bathrooms	25 years
Heating systems	15 years
Lifts	25 years
Solar Panels	25 years

Improvements

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

Leaseholders

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

Non-housing property, plant and equipment

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

Freehold Offices	50 years
Leasehold land and building	50 years
Furniture, fixtures & fittings	5-20 years
Vehicles	5 years
Computer equipment	3 years
Other plant & equipment	3 years

Investment Property

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

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

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

Impairment of social housing properties

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

An assessment is made at each reporting date as to whether an indicator or 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 include in surplus or deficit in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants

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

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

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

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

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

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

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

Where a donation of land and/or other assets is received or acquisitions of land and/or other assets at below their market value from a third party 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 is credited to surplus or deficit in the Statement of Comprehensive Income as a contribution towards the financing cost of that scheme. The discount rate used for the net present value calculations is the same rate that applies to the associated borrowing to fund the housing assets.

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

Recycling of grants

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

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Restricted reserves

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

A special reserve has been created for re-investing funds transferred from Young Women's Housing Association.

Leased assets

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

Finance leased assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

Operating leased assets

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

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

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. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Pensions

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme (SHPS).

The Association participates in an industry-wide multi-employer defined benefit pension scheme where the scheme assets and liabilities are separately identified for each employer. The scheme is accounted for in accordance with FRS102 with the deficit re-valued each year and additional liability is recognised in the Statement of Financial Position. The assumptions made in calculating the deficit is reviewed annually by the Board for reasonableness; they have sought advice from a specialist.

All calculations are extracted using the SHPS scheme model for valuing.

Defined contribution scheme

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

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids). Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met. Turnover from affordable housing rent is recognised in complete weeks only.

Supported housing and other managing agents

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

Service charge sinking funds and service costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

Financial instruments

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

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

Non-current debt instruments which meet the necessary conditions in FRS102 are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

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

Financial Transactions

Public benefit entity concessionary loans

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

Cash and cash equivalents

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

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets, 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 Association that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

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

Estimation uncertainty

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

Fair value measurement

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

Provisions

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

Pension scheme

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

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Year ended 31 March 2019			Year ended 31 March 2018		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£000	£000	£000	£000	£000	£000
Social housing lettings	7,693	(5,637)	2,056	7,499	(5,688)	1,811
Supported housing	2,510	(2,011)	499	2,291	(1,871)	420
Total From Lettings	10,203	(7,648)	2,555	9,790	(7,559)	2,231
Support Services	1,118	(1,130)	(12)	1,242	(1,224)	18
Other Activities	766	(557)	209	660	(574)	86
Development Admin.	-	(185)	(185)	-	(245)	(245)
Total	12,087	(9,520)	2,567	11,692	(9,602)	2,090

4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs Housing	Supported Housing	2019	2018
Income	**£000**	**£000**	**£000**	**£000**
Rents receivable	6,644	1,167	7,811	7,440
Service charge income	439	469	908	856
Amortised government grant	610	75	685	683
Income from supported housing	-	799	799	811
Turnover from Social Housing Lettings	7,693	2,510	10,203	9,790
Expenditure				
Management	1,107	1,153	2,260	2,788
Service charge	802	141	943	892
Maintenance	2,442	548	2,990	2,356
Bad debts	49	9	58	24
Depreciation of housing properties	1,237	160	1,397	1,499
Operating Costs	5,637	2,011	7,648	7,559
Operating Surplus on Social Housing Activities	2,056	499	2,555	2,231
Void losses	29	9	38	60

5. DIRECTORS REMUNERATION AND TRANSACTIONS

	2019	2018
	£	**£**
Directors who are executive staff members		
Wages and salaries	248,820	253,168
Social security costs	30,893	31,558
Other pension costs	17,888	16,108
Other benefits in kind	322	357
	297,923	301,191
Remuneration of the highest paid director, excluding pension contributions:		
Emoluments	97,447	93,302

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

The number of Directors who were employed as executive staff members during the year who received remuneration including pension contributions are shown below. The remuneration includes compensation for loss of office paid to Directors in the year:

	2019	2018
Salary Band (£)	**No.**	**No.**
70,001 - 80,000	1	-
80,001 - 90,000	1	2
100,001 - 110,000	1	1
	3	3

Board members	**£**	**£**
Wages and salaries	-	-
Social security	-	-
Other pension costs	-	-
	-	-

Costs of £780 were incurred during the year for committee expenses (2018: £646).

6. STAFF COSTS

	2019	2018
	£000	**£000**
Wages and Salaries	3,778	3,624
Social Security Costs	336	320
Pension and PHI Costs	324	447
	4,438	4,391

There was no staff who received emoluments including pension contribution, in excess of £60,000 during the year.

The average number of staff employed during the year was:

	No.	**No.**
Full time equivalent	147	136
Actual	161	155

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

7. SURPLUS ON SALE OF HOUSING PROPERTIES

	2019	2018
	£000	£000
Proceeds from Sale of Housing Properties	-	-
Cost of Housing Property Sales	-	-
	-	-

8. INTEREST & FINANCING CHARGES

	2019	2018
	£000	£000
Loans repayable by instalments	654	872
Loans repayable other than by instalments	623	416
Defined Benefit Pension Deficit	84	20
Cost of arranging loans	59	106
	1,420	1,414

9. OPERATING SURPLUS
Operating surplus for the year is stated after charging/(crediting):

	2019	2018
	£000	£000
Housing properties		
Grant amortisation	(685)	(683)
Depreciation	1,592	1,940
Audit fees – statutory audit	14	14
Operating Lease expenses: DLO Vehicles	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

10. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

	Housing properties held for letting	Housing properties in the course of construction	Total 2019	Total 2018
	£000	£000	£000	£000
Cost:				
As at 1 April 2018	114,483	1,222	115,705	114,068
Transferred on completion	358	(358)	-	-
Additions	439	6,022	6,461	1,881
Disposals	(308)	-	(308)	(244)
As at 31 March 2019	114,972	6,886	121,858	115,705
Depreciation:				
As at 1 April 2018	15,722	-	15,722	14,481
Charge for year	1,340	-	1,340	1,463
Disposals	(308)	-	(308)	(222)
As at 31 March 2019	16,754	-	16,754	15,722
Net Book Value:				
As at 31 March 2019	98,218	6,886	105,104	99,983
As at 31 March 2018	98,761	1,222	99,983	99,587

Net housing property value comprises:		
Freeholds	103,889	98,727
Leaseholds	31	30
Short leaseholds	1,184	1,226
	105,104	99,983

Fixed charges have been granted in favour of the Welsh Government on all properties to secure Social Housing Grant where grant funding has been received.

11. UNITS IN MANAGEMENT

	Units at 1 April 2018	New Build	Sales	Transfers	Units at 31 March 2019
General needs	1,211	-	-	-	1,211
Women's hostel bed spaces	54	-	-	-	54
Supported housing bed spaces	163	10	-	2	175
	1,428	10	-	2	1,440

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

12. TANGIBLE FIXED ASSETS – INVESTMENTS

	Shares	Freehold Property	Total 2019	Total 2018
	£000	£000	£000	£000
As at 1 April 2018	-	1,142	1,142	1,434
Additions/(Disposals) in year	-	-	-	-
Reclassification of asset in year	-	-	-	(292)
Revaluation in year	-	-	-	-
As at 31 March 2019	-	1,142	1,142	1,142

The freehold interests in the Retail Unit at St Canna Court, Hayes Place and Alexandra House, all at Cowbridge Road East, Cardiff held by Taff Housing Association Limited were valued as at 31 March 2017 by Jones Lang LaSalle Ltd, professional external valuers. Properties are stated at fair value primarily derived using comparable recent market transactions on arm's length terms. The surveyors have confirmed that there has been no significant change in the market value during the year.

The relationship between Jones Lang LaSalle and Taff Housing Association Limited complies with the RICS guidelines.

13. TANGIBLE FIXED ASSETS - OTHER

	Freehold Offices	Plant, furniture & equipment	Housing furniture & equipment	Computer equipment	Total 2019	Total 2018
	£000	£000	£000	£000	£000	£000
COST						
As at 1 April 2018	3,113	496	673	1,114	5,396	4,984
Additions	-	25	37	68	130	120
Reclassification of asset in the year	-	-	-	-	-	292
Disposals	-	-	-	-	-	-
As at 31 March 2019	3,113	521	710	1,182	5,528	5,396
DEPRECIATION						
As at 1 April 2018	1,022	378	620	1,022	3,042	2,564
Charge for year	79	46	37	90	252	478
Disposals	-	-	-	-	-	-
As at 31 March 2019	1,101	425	657	1,112	3,294	3,042
NET BOOK VALUE						
As at 31 March 2019	2,012	96	54	70	2,232	2,354
As at 31 March 2018	2,091	118	53	92	2,354	2,419

Charges have been granted on the Freehold Offices to secure an overdraft facility and term loan facility. The Board have considered the carrying value of Alexandra House and any possible impairment and consider that with the reclassification of some costs to Fixtures and Fittings, along with the necessary adjustment to depreciation charge, the carrying value reflects the operational value to the organisation of the property.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

14. DEBTORS:

	2019	2018
Due within one year	**£000**	**£000**
Rent and service charge receivables	422	367
Provision for bad and doubtful debts	(124)	(103)
	298	264
Housing Finance Grant	51	34
Prepayments and accrued income	216	318
Other debtors	461	155
	1,026	771
Due after one year		
Housing Finance Grant	2,808	1,945
	3,834	2,716

15. CREDITORS: Due within one year

	2019	2018
	£000	**£000**
Trade creditors	453	266
Loan capital repayments	1,542	1,331
Bullet loan repayments	2,050	6,950
Loan interest	124	110
Rents received in advance	125	127
Accruals & deferred income	1,205	563
Grants received in advance	2,084	487
Recycled capital grants	26	230
Capital expenditure on housing properties	329	117
Pension deficit	-	240
Other creditors	126	205
	8,064	10,626

16. CREDITORS: Due after one year

	2019	2018
	£000	**£000**
Loans	32,879	30,485
Cost of raising loans	(204)	(263)
	32,675	30,222

Housing loans were secured by specific charges on the Association's housing property. Rates of interest during the year ranged from 0.77% to 10.82%.

Included in Loans is £2,843,307 of interest free Land Loans received from Welsh Government in the year; these are repayable on the earlier of 5 years or receipt of grant on the development scheme.

	2019	2018
	£000	£000
Loans repayable by instalments fall due as follows:		
Within one year or less	3,592	8,281
Between one and two years	7,582	4,228
Between two and five years	4,921	5,017
In five years or more	13,654	13,485
In more than one year	26,157	22,730
Total housing loans	29,749	31,011
Repayable otherwise than by instalment:		
In more than five years	6,722	7,756

17. SOCIAL HOUSING GRANT

	2019	2018
Gross Grant Creditor	£000	£000
As at 1 April 2018	67,839	66,759
SHG receivable in the year	5,119	1,080
Housing Property Disposals	-	-
As at 31 March 2019	72,958	67,839

Amortisation	2019	2018
	£000	£000
As at 1 April 2018	11,097	10,414
Credit for the year	685	683
As at 31 March 2019	11,782	11,097
Net Grant Creditor as at 31 March 2019	61,176	56,742

17. SOCIAL HOUSING GRANT - CREDITORS:

	2019	2018
	£000	£000
Amounts falling due:		
Within one year or less	728	683
Between one and two years	762	745
Between two years and five years	2,286	2,360
In five years or more	57,400	52,954
	60,448	56,059
Total grant creditor	61,176	56,742

19. CONTINGENT LIABILITIES

The Association has contingent liability with Welsh Government and other government agencies for £11,782,000 (2018: £11,097,000) representing the amount of social housing and capital grant amortised through the Statement of Comprehensive Income.

The Association is a member of a multi-employer pension scheme SHPS. The Association has been notified by the Pensions Trust that the estimated employer debt on withdrawal from the SHPS scheme (pension deficit) based on the financial position of the scheme as at 30 September 2018 was £14M.

20. RELATED PARTY TRANSACTIONS

Board Member Related Party Transactions During the Year:

The Association provided rented accommodation to three Board members that are tenants during the year (2018 - 3) and charged rent to those members on the Association's standard terms.

The Association purchased services from Joy Kent the wife of the Chair, Keith Edwards, during the year totalling £6,075 for consultancy services.

All transactions which took place in the year occurred on an "Arm's Length" basis.

Senior Officer Related Party Transaction:

There were no senior officer related party transactions in the year.

21. SHARE CAPITAL

	2019	2018
	No.	No.
Shares of £1 each fully paid		
As at 1 April 2018	142	136
Issued during the year	23	6
Cancelled in year	-	-
As at 31 March 2019	165	142

22. RESERVES

	Restricted Reserves	Revenue Reserve			Total	Total
	Capital	Furniture	Recyclable SHG	General	2019	2018
	£000	£000	£000	£000	£000	£000
As at 1 April 2018	256	1,451	230	11,037	12,974	12,273
Surplus for year	-	-	-	(95)	(95)	701
Transfers to/from reserves	(1)	71	(204)	134	-	-
Movement in year	(1)	71	(204)	39	(95)	701
As at 31 March 2019	255	1,522	26	11,076	12,879	12,974

23. CASH FLOW FROM OPERATING ACTIVITIES

	Notes	2019 £000	2018 £000
Surplus		(95)	701
Adjustments for non-cash items:			
Depreciation of tangible fixed assets	9	1,592	1,940
Government grants amortised in year	17	(685)	(683)
Debtors		(153)	(4)
Creditors		624	(122)
Provisions		(21)	(24)
Pension deficit cash contributions	23	-	(232)
Adjustment for investing or financing activities:			
Gain on disposal of properties, plant and equipment	7	-	-
Interest receivable		(13)	(5)
Interest and financing costs		1,420	1,414
Movement in fair value of investments		(366)	-
Re-measurement of pension liability		1,621	(20)
Net cash generated from operating activities		3,924	2,965

24. PENSION COSTS

Taff Housing Association participates in the Social Housing Pension Scheme (SHPS) (the scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

The Board have engaged an expert to review and advise on the assumptions underlying the calculation of the liability of the defined benefit pension schemes. They have relied upon the recommendations of that expert and accepted their recommendations in full. The numbers set out below reflect those assumptions and not those of SHPS but are deemed more reflective of the demographic of the scheme membership which is generally younger than average and also expected yields and salary increases accordingly.

Present Values Of Defined Benefit Obligation, Fair Value Of Assets And Defined Benefit Asset (Liability)

	31 March 2019 £000	31 March 2018 £000
Fair value of plan assets	10,281	9,488
Present value of defined benefit obligation	12,938	12,562
Surplus (deficit) in plan	(2,657)	(3,074)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(2,657)	(3,074)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(2,657)	(3,074)

Reconciliation Of The Impact Of The Asset Ceiling

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

Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation

	31 March 2019 £000
Defined benefit obligation at start of period	12,562
Current service cost	210
Expenses	11
Interest expense	350
Contributions by plan participants	121
Actuarial losses (gains) due to scheme experience	(288)
Actuarial losses (gains) due to changes in demographic assumptions	(137)
Actuarial losses (gains) due to changes in financial assumptions	574
Benefits paid and expenses	(465)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	12,938

Reconciliation Of Opening And Closing Balances Of The Fair Value Of Plan Assets

	31 March 2019 £000
Fair value of plan assets at start of period	9,488
Interest income	266
Experience on plan assets (excluding amounts included in in-terest income) - gain (loss)	515
Contributions by the employer	356
Contributions by plan participants	121
Benefits paid and expenses	(465)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	10,281

The actual return on the plan assets (including any changes in share of assets) over the period end 31 March 2019 was £781,000.

Defined Benefit Costs Recognised In Statement Of Comprehensive Income (SoCI)

	Period from 31 March 2018 to 31 March 2019 £000
Current service cost	210
Expenses	11
Net interest expense	84
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	305

Defined Benefit Costs Recognised In Other Comprehensive Income

	Period ended 31 March 2019 £000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	515
Experience gains and losses arising on the plan liabilities - gain (loss)	288
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	137
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(574)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	366
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	366

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

Assets

	31 March 2019 £000	31 March 2018 £000
Absolute Return	890	1,159
Alternative Risk Premia	593	360
Corporate Bond Fund	480	390
Credit Relative Value	188	-
Distressed Opportunities	187	92
Emerging Markets Debt	355	383
Fund of Hedge Funds	46	312
Global Equity	1,730	1,874
Infrastructure	539	243
Insurance-Linked Securities	295	249
Liability Driven Investment	3,760	3,456
Long Lease Property	151	-
Net Current Assets	20	9
Over 15 Year Gilts	-	-
Private Debt	138	84
Property	231	437
Risk Sharing	310	88
Secured Income	368	352
Total assets	10,281	9,488

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

Key Assumptions

	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	2.60%	2.80%
Inflation (RPI)	3.20%	3.20%
Inflation (CPI)	2.20%	2.20%
Salary Growth	3.20%	3.20%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.3
Female retiring in 2019	23.0
Male retiring in 2039	22.7
Female retiring in 2039	24.1

25. FINANCIAL COMMITMENTS

Capital commitments are as follows:	2019	2018
	£000	£000
Contracted less certified	6,894	1,457
Funded by:		
Social Housing Grant	-	-
Cash at bank/existing loan facilities	6,894	1,457
	6,894	1,457
Authorised by the Board of Management but not contracted	10,378	4,105
Funded by:		
Social Housing Grant	6,020	2,380
Cash at bank/existing loan facilities	4,358	1,725
	10,378	4,105

26. POST BALANCE SHEET EVENTS

There were no events requiring reporting between the balance sheet date and the date on which these financial statements were approved.

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