Annual Report & Consolidated Financial Statements

for the year ended 31 March 2021

united welsh

Contents

We build **homes,** create **communities** and transform **lives.**

Foreword

We are pleased to present the Annual Report for the year ended 31 March 2021 for the United Welsh Group. Despite a difficult year, there is much good news to tell.

We are extremely proud of our team and the way in which they have adapted delivery of our services during the pandemic, never losing sight of our primary purpose of supporting and enabling the people in our homes and communities to live the best life they can.

The overall impact of the pandemic is still working itself out. Although we see a continuing period of some uncertainty, we are now looking forward to shaping our future, building on the positive outcomes, the learning from our experience over the last 12 months and our financial strength.

Our time was not all spent in adjusting to the pandemic and its risks. We undertook new work and laid the foundations for future projects.

Highlights include:

- **In building homes** the formation of a new business unit to manufacture high quality, sustainable timber house frames/panels for the construction of low carbon homes;

Read more...

The loyalty and dedication our staff members have shown their colleagues, our tenants and the people who use our services throughout the pandemic **has been exceptional.**

Foreword

- **In creating communities** our first digital tenant meeting as the pathway to more communication and engagement with our tenants.
- **In transforming lives** establishing in partnership with Llamau a new youth housing service, named Tai Ffres, with a mission to take a fresh approach to ending youth homelessness and involving young people in every aspect of service delivery; and

We are, as always, grateful to the Welsh Government for its investment in supporting us to continue to contribute positively towards their ambitious house- building targets, and to doing that in innovative and low carbon ways.

During the year we have never veered from our commitment to deliver our Towards Net Zero Carbon strategy nor have we shied away from the difficult conversations, driving our Deeds Not Words action plan to ensure that, in United Welsh, racism has no corner in which to hide.

We would also thank the Board members who have, through their collective experience from diverse backgrounds, helped to steer us through this difficult year. We would particularly wish to note our appreciation for the work over many years of two Board members who retired during the year, Kath Bergmanski and Alan Meudell.

Grahame Sturges, **Chair**
Lynda Sagona, **Group Chief Executive**

Grahame Sturges, **Chair**

Lynda Sagona,
Group Chief Executive

Who we are and what we do

We are an innovative not-for-profit organisation providing housing and services to people in South Wales.

The Group employs just over 380 people and includes two subsidiaries. Celtic Horizons Ltd, in partnership, looks after all our property services and also hosts our new business unit Celtic Offsite; and Harmoni Homes Ltd builds affordable homes and homes for sale.

We currently manage over 6,000 properties across 11 local authorities and in the last five years have built more than 1,000 homes.

We provide a range of accommodation including Extra Care and supported housing and are committed to working in partnership with local authorities, health boards and others to provide specialist projects that help people with their wellbeing and encourage independent living in the community.

We work together in a spirit of trust and authenticity, confident to take measured risks, enabling a progressive culture which supports us to embrace new ideas and deliver our priorities. Within an environment shaped by the Covid-19 experience, we listen to our customers and reflect their needs as we shape our services.

Read more...

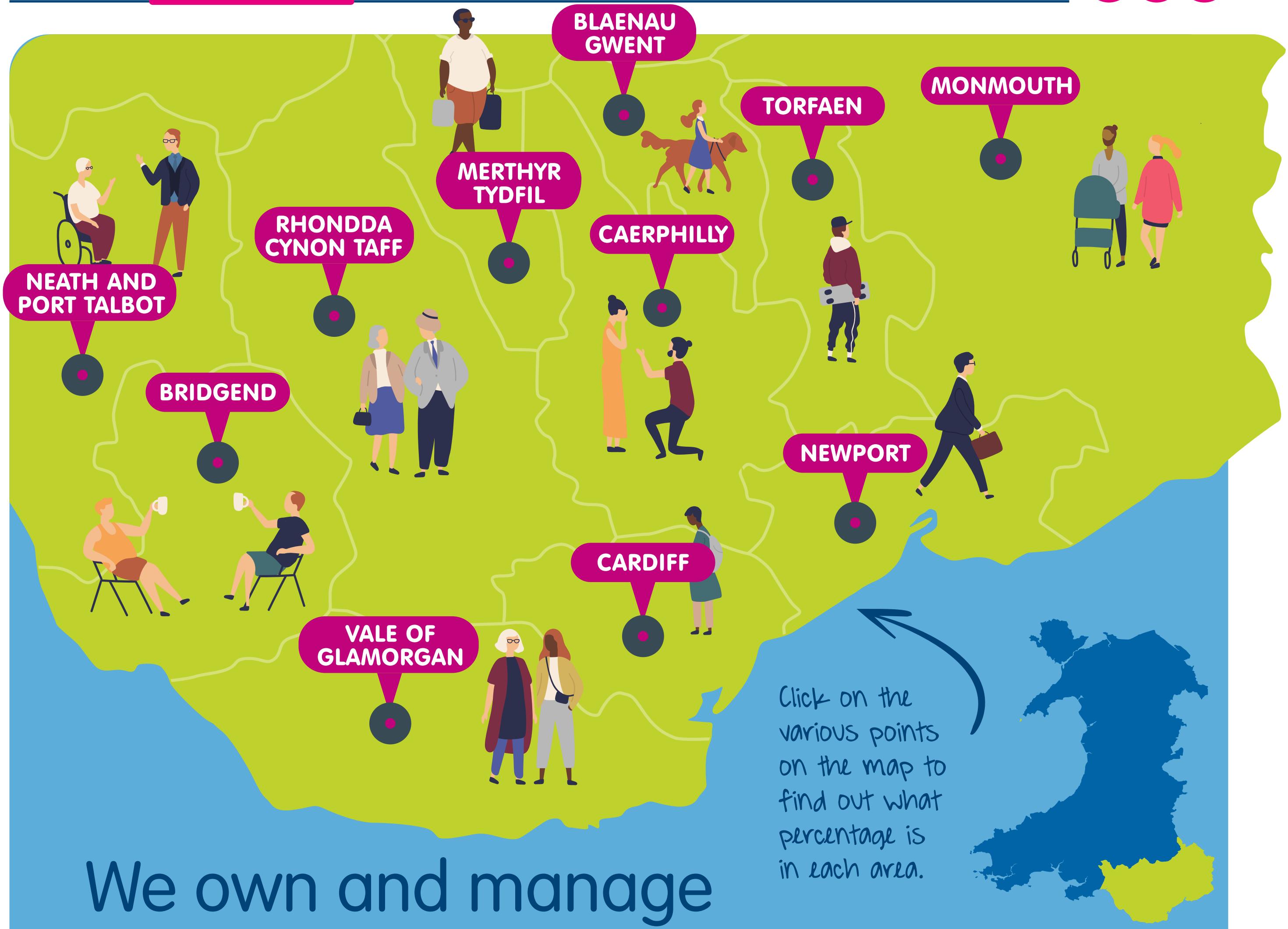
We work together in a spirit of **trust and authenticity.**

Who we are and what we do

We are passionate about making a difference, keeping people safe, embracing diversity and challenging inequality, working efficiently and effectively, and helping everyone make the most of their strengths. We are ambitious about how we can help people to live their best lives, giving people choice, playing our part in ending homelessness, tackling poverty and providing secure homes alongside support and opportunities for the communities where we are proud to work.

We invest to achieve net zero carbon and to maximise the use of technology for the benefit of our business and customers, while never deviating from prioritising those who need our support.

We are ambitious about how we can help people to **live their best lives.**



We own and manage **6322 properties** across South Wales

Blaenau Gwent
599 General
336 Older Persons
68 Supported
20 LCHO
6 Other

Bridgend
14 General
82 Supported
5 LCHO

Caerphilly
1846 General
255 Older Persons
133 Supported
104 LCHO
22 Other

Cardiff
1115 General
193 Older Persons
404 Supported
41 LCHO
19 Other

Merthyr Tydfil
9 Supported

Monmouth
11 General
44 Older Persons

Newport
105 General
10 Supported
28 LCHO
3 Other

Neath Port Talbot
24 Supported

Rhondda Cynon Taf
100 Supported
16 LCHO
3 Other

Torfaen
67 General
10 Supported

Vale Of Glamorgan
495 General
43 Supported
90 LCHO
2 Other

How we work

As an organisation working for the benefit of communities and providing housing and related services, we plan for the long term as our housing assets are expected to have long term use, require maintenance to ensure they can provide good, safe, secure homes that can be run efficiently without a significant negative impact on the environment.

In considering our longer term planning we take account of major stakeholder views expressed in different ways. The Welsh Government has legislation and strategies in place, such as the Low Carbon Delivery Plan and Well-being of Future Generations Act, which form a sound foundation for our own plans. Engagement with other major stakeholders is described below.

In all that we do, we try to demonstrate our values, the most prominent of which are trust, integrity, honesty, respect and being supportive and innovative.

This leads to high standards of ethical behaviours and conduct by individuals and the organisation as a whole.

See our values on the next page

Our values

loyalty inclusive
making a difference
commitment unity
creative
empowered partnership honest
accountable inspirational
respect proactive genuine
adaptable
making caring integrity
people
trust diversity
thinking encouraging
positive
innovative
supportive
support
community compassionate
focused empowerment sharing
honesty ambitious organic
nurturing passionate
holistic modern
unconditional
enthusiasm
forward
inclusion

Tenant involvement

During this year we redesigned how tenants can get involved with us. In July 2019 the Board conducted an open discussion to start the process and since then we have been working to consult with tenants as to what they would like to be involved with, and how to be involved.

A survey carried out at the end of 2019 had a great response from tenants and showed that most were interested in receiving performance information that is clear, contributing information about their circumstances to inform decision-making, having real choices about their homes and area, and their views being listened to and heard. We collated all the feedback and, with the support of TPAS, formed our new Tenant Involvement and Participation Strategy. A new element of engagement with tenants will be through digital media, both as surveys and focus groups to discuss specific topics.

Employee engagement

Engaging with our people on strategic decisions is key to successful delivery. We work through The Partnership Group which is comprised of members of our Executive Team, People Team and Collective Voice Managers who represent the staff voice.

As part of our move to more digital working and communication we had already established a MS Teams group called The Big Conversation before the pandemic struck. All staff across the business are members of this group and we have used it to reach out to all staff. As a digitally interactive channel it means all staff no matter what their role or what hours they work can contribute through the messaging.

As a communication medium this year it really showed its worth in holding big discussions, and in enabling staff to support each other through a difficult time.

One such big discussion was in response to the **Black Lives Matter** conversations in 2020, where staff felt able to share experiences within a safe space.

Environment

United Welsh recognises its impact upon the environment in a number of ways. We are committed to achieving continual improvement in environmental performance and pollution prevention, and in supporting the Welsh Government's goals of a prosperous and resilient Wales.

We achieve this through:

- Sustainable asset and energy management
- Developing low carbon homes
- Building sustainable cohesive and inclusive communities
- Enhancing landscape and biodiversity
- Promoting best use of environmental resources

See our 5 stages towards zero carbon

Last year we adopted our principles for decarbonisation and these were developed this year into a **Decarbonisation Plan which aims that the organisation be Net Zero Carbon by 2035**.

Towards Zero Carbon

1. We will invest in **delivering our decarbonisation plan and commit to focusing** investment to achieve this goal.

2. We will work to **minimise the carbon footprint of our homes** – new and existing.

3. We will **minimise the carbon footprint of our business activity**, driving innovation and new ways of working.

4. We will **work with partners to maximise the impact** of our decarbonisation plan (including energy generation).

5. We will **work with our communities** to encourage understanding of the impact of behaviours and to support positive behaviour change.

Our organisation is aiming to be **Net Zero Carbon by 2035**.

Equality and diversity

United Welsh is committed to equality and diversity in employment and the provision of its services.

This means we:

- Recognise that everyone is different and treat these differences with respect
- Value the diversity of all people we work with
- Consult to ensure that we deliver services openly and fairly, and in ways which suit our customers
- Invest in a skilled, stable and diverse workforce
- Protect our staff from discrimination
- Only work with partners who share our equality values
- Challenge discrimination in all its forms

Read more...

We are committed to monitoring the effects of equality and diversity and to mainstreaming equality, diversity and human rights across the organisation.

Equality and diversity

This year we signed up to the 'Deeds not Words' pledge sponsored by Tai Pawb. An early outcome is that we have reviewed our Recruitment policy and procedure to ensure we are open to attracting candidates from all ethnicities. In our work to support tenants into jobs we were pleased to note that 16% of those we placed into employment this year were from a Black, Asian and Minority Ethnic background.

Celtic Horizons, our asset management service, is actively promoting female participation in trades traditionally thought of as male and 13% of its workforce is currently female.

Towards the end of the year we published our first Modern Slavery Statement (please refer to our website), setting out how we plan to tackle modern slavery when we come across it either in our supply chains or in the course of our work in supporting some of the most vulnerable people in our communities.

Our Connect projects encourage intergenerational activity such as sheltered scheme tenants decorating poppies for Remembrance Day that the school children then displayed at school. The children created certificates to send to tenants for being so good at keeping safe; the children made and sent post cards to tenants and tenants have written back and the children have also made gifts that were safely delivered to tenants.

Above all, we will **continue to promote and deliver equality** as an integral part of who we are and what we do.

Value for Money

United Welsh is committed to releasing the potential of the people we work with, and the value of our investment in homes and communities.

We work to deliver our services efficiently in a timely, simple way without wasting resource and we know that Value for Money is not just about efficiency; it is also about effectiveness.

We understand the need to use our capital, assets and resources effectively in a commercial manner, maximising the return on our investments.

We recognise that by valuing our people, investing in them and letting innovation shine we will achieve excellent results.

Read more...

In 2020/21 our focus remained on **ensuring our rents are affordable,** based on the Living Wage, and we extended that work to a review of service charges.

Value for Money

The Together Fund, administered for us by the Coalfields Regeneration Trust has paid out just over £15,000 in grants to local organisations during 2020/21 for projects that improve unloved spaces, bring people together or encourage volunteering. The income into the Fund is derived primarily from a % of development contract values thus leveraging funding from our procurement.

We have continued to work with Health Boards to provide community-based services that are intended to relieve pressure on expensive health provision thus releasing their funding for more critical services. This year we welcomed the first tenant into the Bespoke Repatriation Service which supports people with complex mental health and social needs who have previously been in residential settings out of county.

Environmental, Social and Governance (ESG) Reporting

We have adopted the framework devised by a UK-wide ESG Social Housing Working Group, formed in 2019 in response to concerns ESG investment in social housing was being inhibited by the absence of a common reporting standard.

The group is a unique collaboration of 18 banks and investors, housing associations, service providers and impact investing organisations. The Working Group developed a Sustainability Reporting Standard for Social Housing (SRS) which was launched in November 2020, and covers 48 criteria, grouped under 12 themes aligned to the UN Sustainable Development Goals. Some criteria are classed as 'Core', others as 'Enhanced'.

We have taken the first steps in using this framework and some of the results are reflected in the paragraphs above and throughout this report.

The full ESG report for 2020/21 is published **on our website**.

Risks

We seek to manage risk, rather than avoid it, minimising exposure to loss from any activity while maximising the benefit to us and our customers and making the best use of resources.

When we assess any new activity or think about extending an existing activity we protect and safeguard our assets, reputation and the quality of service delivered. Our key strategic risks are major health & safety failure, cyber-attack or data release and the potential for non-payment of rents due to the introduction of Universal Credit or the changes in tenants' circumstances as a result of the pandemic.

The ability for our people to work safely has been paramount throughout the year. We continue to follow guidelines and provide the necessary protection by exploring new ways of working and providing personal protective equipment where it is necessary for customer-facing roles. All roles have undergone risk assessments as guidelines changed through the year. The safety of our tenants has not been forgotten. We have continued throughout to carry out the necessary gas and electric safety checks, fire risk assessments, asbestos and legionella checks.

Read more...

99.98%
2020/21

of properties had a **current gas safety check** at 31 March 2021

(2019/20: 99.89%)

Risks

Results from our independent perception survey of tenant satisfaction showed that through the latter part of the year (the survey was suspended for the first two quarters) the majority of tenants were satisfied that their home was safe.

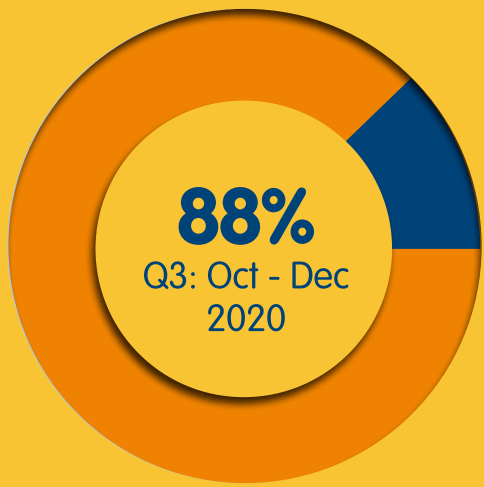
In the current climate we are monitoring closely how well tenants are managing to keep up with rent payments. The impact of potential job losses is still being felt and is likely to continue for some time to come. We will be keeping under review how best we can support tenants and how much resource we can devote to that support. We have tested our financial modelling to the extreme and the Board was reassured that projected levels of bad debts are within our capacity to absorb.

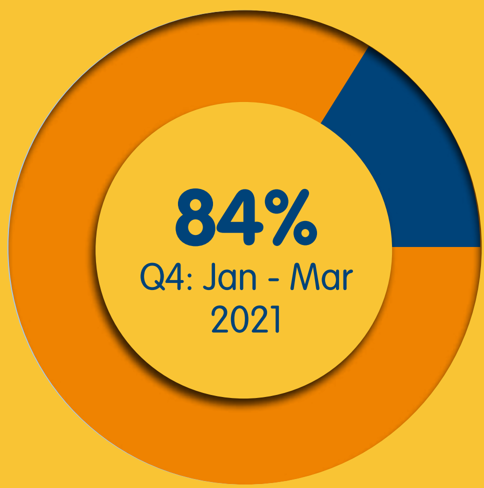
Gross arrears as a % rental income due

- 31 March 2021 3.76%
- 31 March 2020 3.64%
- 31 March 2019 2.79%

As the majority of our people continue to work from home, cyber security remains high on our risk agenda. We recognise that our systems and the protections we have in place must be robust to protect the data we hold and use, and to allow our people to work effectively.

Results from **tenant perception survey** carried out on a sample basis through Q3 and Q4 this year.





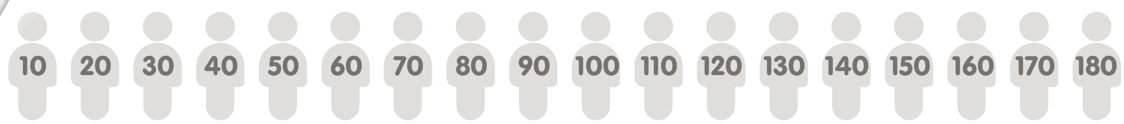
of tenants were satisfied that **United Welsh provides a home that is safe and secure**.

Delivering on our strategy

To help us realise our ambition to build homes, create communities and transform lives, our rolling five-year strategy set out **5 primary targets**.

1

Deliver 180 quality jobs for tenants over the three years to 2022



Number of jobs delivered for tenants

2019/2020

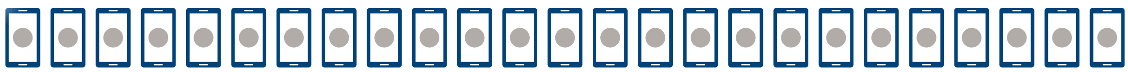
2020/2021

Target 2021/2022
180

Click on the dates above to view the number of jobs delivered for tenants to date.

2

By 2026 2,500 tenants will be using the Tenant App



Number of tenants registered to use the Tenant app as of **31st March 2021**

31st March 2021

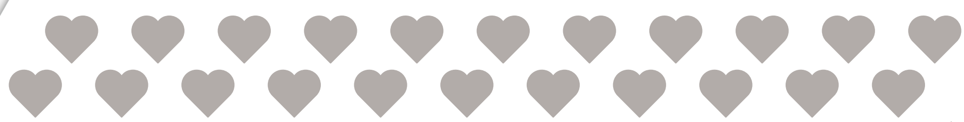
Target 2026
2,500

= 100 tenants

Click on the date above to number of jobs delivered for tenants to date.

3

Improve wellbeing by delivering community inclusion services ("social prescribing") for 2,250 people each year



Number of people receiving/accessing community inclusion services during **2020/21**

= 100 tenants

Target 2020/2021
2,250

Actual 2020/2021

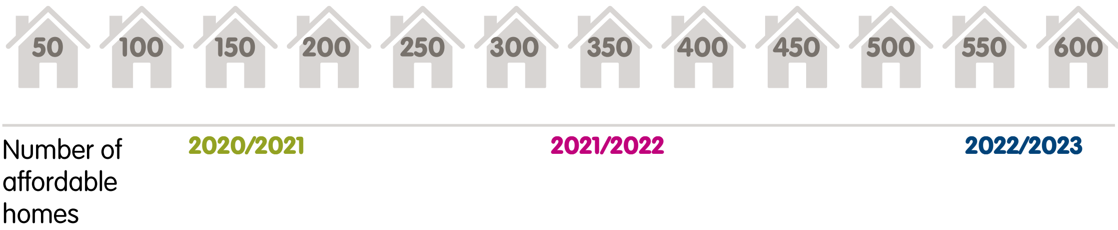
Click on the actual number of people receiving treatment for the year.

Read more...

Delivering on our strategy

4

By 2026 provide at least 1,300 new affordable homes with all directly delivered homes obtaining their energy from renewable sources and 15% are to Passivhaus standard



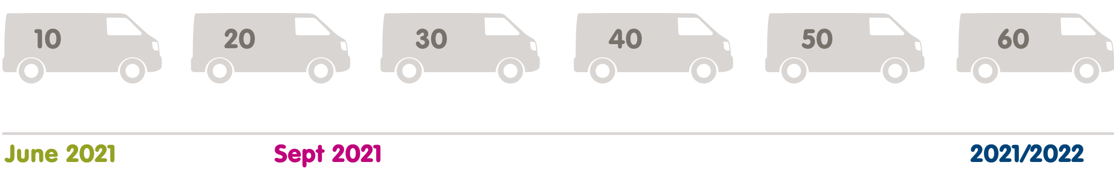
Click on the dates above to see the number of affordable homes delivered.

The above numbers represent all known projects which have reached a certain stage in the appraisal/contract process. Early indications are that we may fall short of our ambition to provide 1300 new affordable homes by 2026. The pipeline is slowing due to increasing difficulties in gaining planning approval, fewer s106 opportunities and the enforced reduction in throughput due to the safe working restrictions. However, we have several major schemes in the pipeline that may provide flexibility and the construction industry as a whole is one of the few sectors that have regained their buoyancy in 2021.

The Passivhaus standard element of the target will not begin to be delivered until next year, although properties currently being delivered are already of a higher standard than the norm.

5

By 2026 electrify at least 50% of fleet vehicles



Click on the dates above to see the number of electric fleet vehicles.

Read more...

Delivering on our strategy

There are six key foundations as to how we will deliver:

1. We will tailor services using customer insight and make it easier for people to contact us. We will provide value by constantly **innovating and challenging how we deliver services.**

2. We will work with both social and commercial partners to **create opportunities for paid and unpaid jobs** and training programmes.

3. We will **maintain our housing assets** to ensure that they are all fit for the future and affordable both for us and tenants, **and deliver quality new homes** embracing low carbon technologies.

4. We will create an environment where people in communities feel secure, are accountable and are confident to ask for **support to deal with the impacts of welfare reform**. We will work in partnership with like-minded organisations to **strengthen communities** by improving health and wellbeing.

5. We will work together efficiently, enjoying increased wellbeing and job satisfaction and our technology and systems will enable us to innovate and embrace **a modern way of working** within an environment shaped by the Covid-19 experience.

6. Our **finances will be well managed** and deliver a healthy surplus, ensuring the services we provide achieve their targets.

Innovation in service delivery

2020/21 proved to be a year in which encouraging tenants to go digital received a major boost, as everyone found that access to a variety of services could only be done through digital channels.

This will form a major thread of change for the next few years, with both the implementation of our updated Tenant Participation & Involvement Strategy, which aims to broaden the base of tenants actively engaged with us, and our internal digitisation of service delivery.

Contactless lettings were introduced with video viewings supporting applicants to choose the home most suitable for them, and our lettings team able to 'see' inside each home for the first time, meaning they can provide better advice and talk more accurately and with confidence about the home on offer. This led to reduced abortive visits and very few refusals at sign-up.

If the turnaround time is adjusted to remove the period during the national lockdown when only emergency lettings were permitted, and a period during December to March where we chose not to let older persons accommodation due to the elevated risk of Covid during the 2nd wave, the average turnaround time drops to 44.04 days.

Read more...

421 properties were relet in total during the year with an average turnaround time of 67.74 days.

(2020: 35.26 days).

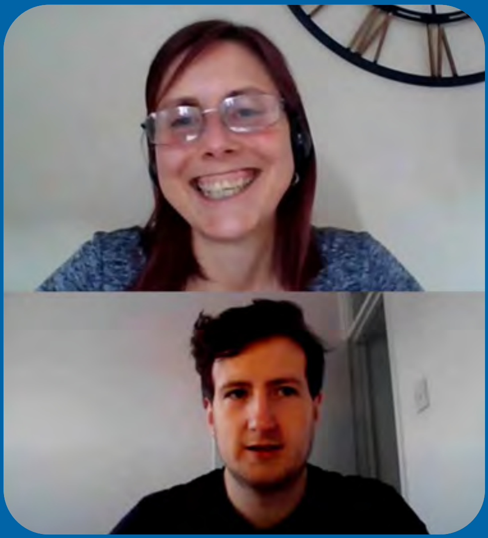
Innovation in service delivery

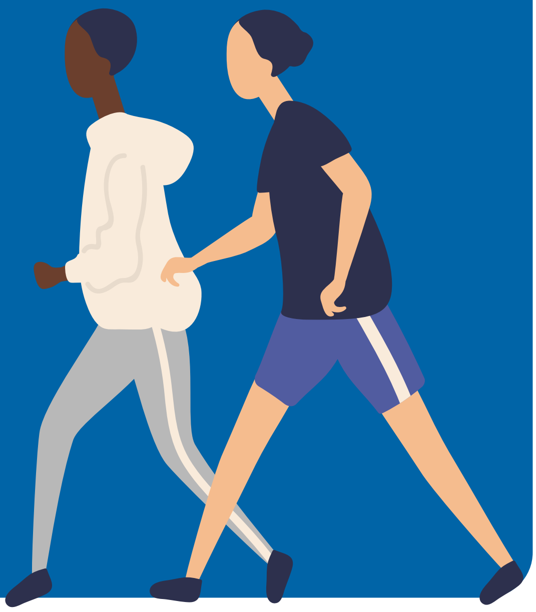
New payment methods were made available to tenants as part of our theme of digitisation of service delivery. Tenants can now use PayPal and Capita Klick-pay to pay their rents.

In the autumn of 2020, we conducted a Tenant Concerns Survey for which we had over 400 responses. High on the list of concerns was mental health, physical health and the ability to pay bills. As a result we were able to focus on signposting mental health support, and our Money Advice Team and Rents Team redoubled their efforts to provide support to those struggling to budget and pay bills.

In February 2021 we held our first digital tenant meeting with seven tenants who had responded to an earlier survey advising that they were interested in discussing the topics of Rent & Service Charges with us. The meeting related specifically to Rent Policy and Affordability, looking at our rents for 2021/22. It was very well received by the tenants, and the appetite for further and more in-depth engagement and relationships was evident.

Read more...





Innovation in service delivery

Our **independent perception survey** of tenant satisfaction was suspended during the first half of the year, resuming in the autumn.

Q3: Oct - Dec 2020		Q4: Jan - Mar 2021
80%	Overall satisfaction **with service provided**	78%
81%	Satisfied that United Welsh **is easy to deal with**	70%
65%	Satisfied that United Welsh **listens to their views and acts on them**	66%

Create opportunities for paid and unpaid jobs

As reported on page 21, 49 tenants were supported into employment and 80 others were provided with training opportunities; our team has also supported many who were seeking work.

Our person-centred approach has at times meant our interactions have had to be more support focused than employment related this year as individuals were uncertain or nervous about their situation and potential exposure to Covid-19. This included re-engagement with a number of tenants who we had previously placed into employment but were, for various reasons including the impact of Covid 19, unemployed once more.

Delivering new homes and maintaining existing ones

187 new homes in total were delivered in 2020/21, less than we had expected due to the period in early 2020 when no sites were open. Since then some progress has been slower, due to the lack of availability of labour and materials, in addition to contractors having to work in a socially distanced way. However new development opportunities are continuing to be identified and we have several major strategic schemes in the pipeline.

Property sales have remained buoyant, despite the challenges of marketing, viewing and selling during the pandemic. We have completed on 47 new build sales in the year for Low Cost Home Ownership (LCHO) and Shared Ownership products.

Read more...

All directly delivered new build schemes entered into contract since February 2020 are targeting an **EPC-A energy rating and are limiting use of fossil fuels** by omitting the installation of gas boilers.

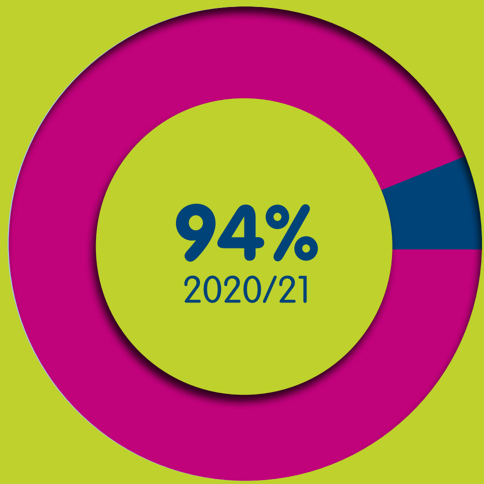
Delivering new homes and maintaining existing ones

Significant changes had to be made to the original planned maintenance programme due to the impact of various lockdowns. Internal improvements were affected the most, as were stock condition surveys. Funding and workforce capacity were redirected to bringing forward works that were possible, such as upgrades to fire doors.

The overall average SAP rating for the United Welsh stock is 81.17 (2020: 81.17) and the percentage of stock achieving a SAP rating of 70 or more is 95.43% (2020: 95.33%).

All compliance inspections required in respect of gas, electric, asbestos, water and lifts, powered doors and hoists were undertaken, apart from one gas safety and one hoist.

Emergency and urgent responsive repairs have continued to be dealt with throughout the year. Towards the end of the year more non-urgent repairs were able to be completed, and we are pleased to report that due to the hard work of the teams at Celtic Horizons the number of overdue jobs had reduced significantly (Mar-21: 156 overdue; Dec-20 621 overdue).



Tenant satisfaction with repairs just completed, measured by a text message survey, remains high. (2019/20: 97%)

Support people to deal with the impacts of welfare reform and strengthen communities

At the end of the year arrears stood at 3.76% and a total value of £1.3m. (2020: 3.64%, £1.3m). The numbers of serious cases with arrears of over 13 weeks have remained stable at around 150-160.

The Rent Team have been extremely successful recently in securing awards of DHP's (Discretionary Housing Payments) to prevent action escalating. To date the team have achieved £64,335 in DHP's, with more still to come (this is in addition to any DHP's obtained as part of the Money Advice service). This has meant a significant reduction in the number of high arrears cases.

Read more...

During 2020/21 **45 Hardship Fund applications amounting to £3,390** have been approved. These were primarily for contributions to utility bills and food.

Support people to deal with the impacts of welfare reform and strengthen communities

In response to the call to make street homelessness a thing of the past permanently, not just through the pandemic, we worked with Cardiff Council to transfer management of two schemes in central Cardiff to the local authority for use as homeless accommodation. We continue to work with them to adapt one of the schemes to make it suitable for single homeless people. When completed there will be provision of homes for about 150 people who would otherwise have been homeless.

A new youth housing service is being developed by United Welsh in partnership with Llamau. It has been officially named as Tai Ffres (Welsh for 'Fresh Housing). Tai Ffres is being developed with Welsh Government Innovation Funding to provide high quality, affordable homes for young people aged 16 – 25. The brand name for Tai Ffres was inspired by its mission to take a fresh approach to ending youth homelessness and involving young people in every aspect of service delivery. Llamau will provide the mentorship and support that young people request.

Read more...

421 empty properties were relet during the year, despite the difficult conditions.

tai ffres
A fresh approach to youth housing

Support people to deal with the impacts of welfare reform and strengthen communities

We delivered on the provision of community inclusion services despite the restrictions on services that arose out of the pandemic and that one of the major elements of this delivery, the Wellbeing 4U service, was decommissioned and took no new referrals in the final quarter. Our Strategy for 2021/22 recognises the change in emphasis in this area of activity and no strategic target in this area has been set as we wait to see how partners are placed after the pandemic related disruption to their services.

Whilst in operation, the Wellbeing 4U service had a hugely positive impact on the individuals referred to it, with a significant number (75%) showing improvement on their ONS scores for life satisfaction, feeling worthwhile and happiness.

The Comic Relief funded Connect pilot project officially ended in July 2020, after running for two years. Over 100 sheltered scheme tenants and 200 people from the community participated in the project. At the end of the project, 67% of tenant participants either maintained or improved their scores for mental wellbeing (SWEMWBs) and 77.5% sustained or improved their risk of loneliness scores. 100% felt the project had a positive impact on themselves and the scheme. Due to this success, the Connect project has been incorporated into our core service for older people.

The Community Wellbeing team noted that 72% of their service users **reported a positive change in general life satisfaction.**

Working in a modern way

Using digital communication and tools was a major theme this year as all staff, both customer-facing and office based, adapted working practices to be able to continue providing services and also to support one another by having conversations and online events.

Living Wage accreditation was achieved in November 2020 and we initiated salary transparency during the year whereby the salary for each role is published for internal use.

All staff were able to join a **CARE 1/80ths pension scheme from 1 May 2020** and we also introduced a salary sacrifice scheme for pension payments.

People employed		2021		2020	
United Welsh		Full time	Part time	Full time	Part time
Operations	Neighbourhoods	47	5	39	4
	Thrive	61	15	51	34
	Customer engagement	17	4	17	5
	Development	18	0	19	0
Total		**143**	**24**	**126**	**43**
Resources	Finance	12	1	14	0
	Digital solutions	8	0	8	0
	Human resources	4	2	6	1
	Communications	3	0	3	0
	Partnership and Collaborate	1	0	1	0
Total		**28**	**3**	**32**	**1**
Chief Executive	Executive Team	3	1	3	1
	Governance	3	0	3	0
Total		**6**	**1**	**6**	**1**
United Welsh		177	28	164	45
Celtic Horizons		152	15	140	23
Total		**329**	**43**	**304**	**68**
Group total		**372**		**372**	

Well managed finances

The Board Report and Consolidated Financial Statements presented within the following sections of this Annual Report demonstrate, and comment on, how well we have managed our finances during this year.

Governance arrangements

The Board is responsible for directing the affairs of the Group and is committed to ensuring that it provides strategic leadership and promotes sound ethical standards, acting with integrity, in line with our aims and values.

As part of its responsibilities, the Board is mindful that, in parallel with the duties set out in s172 Companies Act 2006 for company directors, there may be an expectation that the Board fulfils those obligations in conducting the business of the Association. How those obligations are met in our context is described in the section 'How We Work' earlier in the report.

The Board requires that good governance principles and practices are adhered to throughout the Association. Good governance is about helping to run the Association well. It involves ensuring that clear aims and strategies are developed, and that an effective internal framework of systems and controls is put in place which clearly defines authority and accountability and promotes success whilst permitting the management of risk to appropriate levels. The Board is responsible for ensuring that business is conducted in accordance with the law and applicable standards.

Good governance involves the exercise of judgement as to the definitions of success, the appropriateness of risk and the levels of delegation to the Executive Team and members of staff. The exercise of this judgement is the responsibility of the Board and involves consideration of processes and assumptions as well as outcomes. The Executive Team is required to provide such information to the Board as the Board needs to enable it to exercise its judgement over these matters.

Legal framework

United Welsh Housing Association Ltd is a charitable housing association regulated by the Welsh Government (Reg. no J099) and also registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (Reg. no. 26623R). Consumer credit activity undertaken by the Association is authorised by the Financial Conduct Authority (Firm ref. 742550).

The Welsh Government as part of its regulation sets out performance standards that United Welsh is expected to meet. They assess annually whether the governance and financial management meet their required standards. We are pleased that in the Interim Regulatory Judgement published in March 2021 by the Welsh Government, the Co-Regulation Status for United Welsh was assessed as 'Standard' for governance and services and 'Standard' in the Financial Viability judgement. Standard is the highest status possible.

United Welsh has two wholly owned subsidiaries, Celtic Horizons Ltd and Harmoni Homes Ltd each of which is a company registered under the Companies Acts (Reg. no. 7838396 and 10923446 respectively).

Governance structure

Until 2018/19 the Board of United Welsh comprised up to twelve non-executive members, with potentially up to a further 5 co-opted members. From 1 September 2018 the Board changed its structure to include three members of the Executive Team as co-opted members. The Board agreed to transition to its preferred membership number of 12, including co-optees, through its normal cycle of resignations as current Board members reach the end of their maximum terms. By the end of March 2020 there were 13 members of the Board and at the end of March 2021 there were 11 (8 non-executives and 3 executives). The Board has agreed to recruit to fill the vacancy and bring the numbers up to the desired 12.

New board members agree to serve for a term of three years, with the option to continue for a further two three-year terms. Board members are drawn from a wide background bringing together professional, commercial and local experience. The Board recognises that diversity of membership will lead to improved decision-making. Co-option is also used where specific expertise may be required in addition to that already on the Board and to accommodate orderly succession in Board membership. Membership is reviewed every year to ensure the Board contains the range of necessary skills.

UNITED WELSH GROUP

Those skills include:
- Leadership and working effectively as a team
- Direct knowledge of the needs and aspirations of the communities and people served
- General business, financial and management skills
- Knowledge of the external framework, including financial markets, political imperatives and operating environments in which United Welsh works
- Other relevant and specialist skills such as commercial, financial, investment, risk management, legal, health, social services, property management and housing development
- Effective communication skills and an ability to focus on key issues facing United Welsh, and
- The ability to foster a culture that enhances commitment, enthusiasm and excellent performance from staff.

Non-executive board members are remunerated. Details of the remuneration received are included in the Notes to the financial statements. Executive board members do not receive additional remuneration as a result of being co-opted onto the Board.

In order to ensure that the Group is well governed, the Association applies the Community Housing Cymru Code of Governance and complies with the National Housing Federation Code of Governance, and the Housing Association Circular 02/10 'Internal Controls and Reporting' in all material respects. There are no significant departures from either Code.

Application of the CHC Code is considered annually by the Remuneration & Governance Committee, identifying areas for improvement. During 2020/21 the Board undertook refresher sessions on unconscious bias. In the coming year the improvement plan includes considering board succession and nurturing new talent, exploring how community benefits align with our values and how the Board itself will meet, having spent 12 months meeting digitally.

The Board meets formally eleven times a year. It is responsible for the Group's strategy and policy framework, delegating the day-to-day management and implementation of that framework to the Group Chief Executive and other senior executives (the Executive Team).

Each member of the Executive Team is an operational Director with teams of staff reporting to them. The Executive Team meets monthly and its members attend Board meetings.

The Board is supported by two committees – the Audit & Risk Committee and the Remuneration & Governance Committee. All members of these Committees are drawn from the non-executive Board members of United Welsh.

The boards of Celtic Horizons Ltd and Harmoni Homes Ltd consist of six and four Directors respectively, nominated from amongst the United Welsh Board members, with an appropriate mix of non-executive and executive members.

Audit & Risk Committee

The Audit & Risk Committee meets at least three times a year and can comprise up to seven members selected by the Board, of whom at least four must be full appointed non-executive Board members. Executive Board members may not be members of the Committee. The members of the Executive Team attend the Committee.

The Committee advises the Board on its responsibilities in relation to financial reporting and considers the appointment of internal and external auditors, the scope of their work and their reports. It also reports to the Board on the effectiveness of the Association's internal control arrangements and scrutinises treasury management and risk management, including work on stress testing and business continuity.

Remuneration & Governance Committee

The Remuneration & Governance Committee meets at least once a year and is comprised of the Chair of the Board and up to four other non-executive Board members selected by the Board. Executive Board members may not be members of the Committee.

The Committee advises the Board on the remuneration and form of the Agreement for Services of the non-executive Board members, and on the terms and conditions of service of the Executive Team. In discharging the former duty, the Committee is advised by an independent adviser. The Committee also advises the Board on the skills and composition of the Board itself, and on other governance matters.

Board effectiveness

Individual Board members discuss their performance with the Chair on an annual basis and, every three years, with an independent consultant. A tailored training programme is put together where required.

An independent review of the effectiveness of the Board was carried out this year, in the usual three-year cycle, by means of a survey completed by each Board member followed up by individual discussions with the consultant. The review concluded that this is a highly performing board looking to build on its success. Areas recommended for development included board succession planning, and the Board's approach to hearing the tenant voice.

The Board's review of its own composition concluded that the Board continues to have broadly the appropriate mix of skills, experience and diversity of background to enable it to work effectively in leading United Welsh to deliver the strategy determined for the next five years. However the recruitment that will be undertaken will allow the Board to strengthen the diversity of the Board and to add experience of the health sector to the collective skills of the Board as a whole.

Management, advisers and corporate information

The Board

Grahame Sturges	Chair since July 2016. Member since 2012. Retired housing manager.
Damian Williams	Chair of Audit & Risk Committee. Member since 2014. Chartered Certified Accountant. Group Financial Controller.
Jeremy Brown	Chair of the Remuneration & Governance Committee. Member since 2018. Managing director of a charity that owns and runs care homes.
Bart Geere	Member since 2016. Retired Head of Credit Risk.
Joanne Jones	Member since 2017. Chartered Accountant. Finance Director.
Phill Stokes	Member since 2015. Member of the Chartered Institute of Building. Construction and housing consultant.
Emma Tamplin	Member since 2016. Member of the Chartered Institute of Personnel and Development. Collaboration Manager for a charity promoting gender equality.
Gail Williams	Member since 2015. Retired manager with particular interest in disability issues.
Lynda Sagona	Co-opted 2018. Group Chief Executive
Richard Mann	Co-opted 2018. Deputy Chief Executive and Group Director Operations
Neil Chidgey	Co-opted 2019. Group Director Finance

Notes:
Alan Meudell retired as a Board member in July 2020.
Kathryn Bergmanski retired as a Board member in March 2021, her term having been extended by the Board due to the pandemic in order to provide continuity as she served as Vice Chair.

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Committee Membership

Audit & Risk Committee
Damian Williams
Bart Geere
Joanne Jones
Grahame Sturges
Gail Williams

Remuneration & Governance Committee
Jeremy Brown
Emma Tamplin
Grahame Sturges

Subsidiary Company Directors

Celtic Horizons Ltd
Phill Stokes
Grahame Sturges
Damian Williams (app'td Mar-21)
Emma Tamplin (app'td Mar-21)
Neil Chidgey
Richard Mann

Harmoni Homes Ltd
Phill Stokes
Grahame Sturges
Neil Chidgey
Lynda Sagona

The Executive Team

Lynda Sagona	Group Chief Executive (appointed 2016). Previously Director of Housing & Communities at United Welsh. Member of the Royal Institution of Chartered Surveyors.
Richard Mann	Deputy Chief Executive and Group Director Operations (appointed 2005). Member of the Royal Institution of Chartered Surveyors.
Neil Chidgey	Group Director Finance (Appointed 2019). FCMA, CGMA. Previously Commercial Director Celtic Horizons.
Huw Davies	Executive Director Resources (Appointed 2019). Previously Head of Digital Solutions at United Welsh.

Advisers to the United Welsh Group

Secretary	Nia Roblin, ACA
Registered auditor	KPMG LLP, 3 Assembly Square, Britannia Quay, Cardiff, CF10 4AX
Bankers	Lloyds Bank plc, 25 Gresham Street, London, EC2V 7HN

The registered office for each Group entity is: Y Borth, 13 Beddau Way, Caerphilly, CF83 2AX

UNITED WELSH GROUP

Board report

The Board presents its financial review and audited financial statements of the Group for the year ended 31 March 2021.

The Group

The results for the year ended 31 March 2021 of the subsidiaries, Celtic Horizons Ltd and Harmoni Homes Ltd have been consolidated in the Group accounts.

Principal activities

The principal activity of the Association is the provision of affordable quality housing accommodation for those in housing need. As well as managing existing properties the Association is a developer of new affordable housing. The principal activity of Celtic Horizons Ltd is providing associated housing services. The principal activity of Harmoni Homes Ltd is to manage the development of new affordable housing stock for United Welsh Housing Association.

Board

The Board consists of 3 executive directors and 8 non-executive directors. Each non- executive director holds one fully paid share of £1 in the Association. The executive directors hold no interest in the Association's share capital.

Internal control statement

The Welsh Government requires registered social landlords to report on internal controls in accordance with Housing Association Circular 02/10 – Internal Controls and Reporting. The Board is responsible for the Group's system of internal controls which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Board has reviewed the effectiveness of the system of internal controls for the period from 1 April 2020 to 24 June 2021 and deem them sufficiently robust.

The procedures that have been established to provide effective internal control are:

- Corporate governance arrangements and an organisational structure with clearly defined lines of accountability;
- Written financial procedures with delegated authorities;
- A comprehensive system of financial reporting including annual budgets and monthly management accounts to report actual performance against budget and to highlight variances;
- A risk map maintained and reviewed by the Executive Team, Audit & Risk Committee and Board;
- Audit & Risk Committee reviews of the fraud register at each of its meetings and;
- Monitoring of the internal controls and procedures by both the Association's internal auditor and external auditor.

Internal audit services were obtained under contract with Astari Ltd for the year ended 31 March 2021.

Update on impact of Covid-19 on the activities of the Group

In relation to Covid-19 the Group's activities are now operating at pre-Covid levels in almost all areas. The main areas impacted and current position as well as operational plans for further resumption of normal activities are outlined below:

i) During the pandemic the Group's Head Office closed except for essential use only and staff started to work from home other than where a physical presence was required. Whilst working from home will continue to be a viable option for those employees able to do their work from home, the plan is to open the offices in September in a limited way with safety of staff, tenants and other stakeholders of primary consideration.

Appropriate support has been delivered to all tenants in need - either through the Association, partner agencies or community groups. The financial inclusion team and housing teams across the Association have been in constant contact with vulnerable tenant groups and those tenants in need of financial support.

All health and safety compliance and void works have been and are still being undertaken as normal and the asset management contract teams are now fully operational with appropriate PPE in order to ensure both staff and tenant safety.

ii) Initially during the pandemic the majority of our contractors and developers halted construction activity during the lockdown period, resulting in delays to handover timescales and rental income expectations. All development sites are now back to 80% operational status.

The result of the above is that the Association is holding surplus cash at the year end and has experienced a reduction of 60 new homes compared to the budgeted cashflow. Whilst new handovers were mothballed for a short period thereby impacting on new development rental income expectations, prudent budget assumptions around handover delays have limited the impact of loss of rent on the budget for 2020/21.

iii) In relation to the Association's LCHO programme, sales have performed well with 14 unsold properties at the year end. This is revealed by the fall in properties held in the Association's Work in Progress at the balance sheet date from £6.4m to £2.0m. An impairment review as part of the year end revealed that no impairment was necessary on these properties.

The Association's social housing properties are held at cost, and an impairment review has not identified any reduction in value. Of the Association's non-social housing properties, one property was impaired during the year and the adjustment is reflected in the Statement of Comprehensive Income.

In relation to social housing properties held as security on loans, the Association is currently in a strong position with over £66m of unsecured properties available if property values fall. Even with a significant fall in market values, the Association would still have sufficient available security to meet existing and future loan requirements.

Celtic Offsite

During the year, United Welsh Board gave approval for the setting up of a factory which produces timber frame panels and associated items. The factory should help deliver zero/low carbon new homes which residents want to live in and also provide genuine and new work and training opportunities. Due to the energy efficient materials used in the construction of the timber panels, tenants can therefore expect to receive lower energy bills than homes built to current building regulations. In addition any surpluses generated will directly go towards funding the delivery of EPC A on existing homes as well. Therefore the factory will help to deliver several of United Welsh Group's key objectives including those relating to job creation, fuel poverty and achieving EPC A and net zero carbon.

The new factory will have a different risk profile to that of Celtic Horizon Limited's existing activities. This risk profile has been extensively mapped out and is monitored on an ongoing basis. A 3-year cashflow and liquidity profile has been prepared and this is being reviewed monthly.

By September 2021, the new timber frame factory is expected to be operational under Celtic Horizons Limited but trading as Celtic Offsite. The factory will be expensing its initial set up costs and will thereby incur a loss of £405k in the first year.

The three-year cashflow shows that by 31 March 2024 the factory will be generating surpluses. Due to an interest free loan from Welsh Government the factory has adequate cash balances to fund the initial capital and set up costs.

Board's Assessment of Going Concern

The financial statements have been prepared on a going concern basis which the Board consider to be appropriate.

The Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in July 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

A detailed assessment of the impact of Covid-19 is provided in the section above. However following the outbreak of Covid-19 the Group also undertook a series of further scenario testing including severe but plausible downsides in the worst-case assessment. As explained in the Covid-19 section above all areas of the Group's activity are now back to normal and any additional costs relating to Covid-19 have been managed within budget.

In addition the risk areas in relation to the Celtic Offsite activities of its subsidiary are being carefully monitored. The current financial forecasts show that the subsidiary will be generating surpluses in year 3 and any surpluses generated will directly go towards funding the delivery of EPC A on existing homes.

Board's Assessment of Going Concern (continued)

The Board, after reviewing the Group and Company budgets for 2021/22 and the Group's medium term financial position as detailed in the 30-year business plan is of the opinion that, taking account of severe but plausible downsides, the Group and the Association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

- **Rent and service charge receivable** – budget and business plan assumptions in relation to arrears, bad debts and voids are set at prudent levels to allow for the longer-term impact of Universal Credit and Covid-19.

- **Maintenance costs** – budget and business plan scenarios have been modelled to take account of cost increases and costs relating to achieving the zero-carbon strategy.

- **The property market** – the budget is set using prudent handover assumptions. In addition as explained in the above Covid-19 section the Association is currently in a strong position with over £66m of unsecured properties available if property values fall as well as having excess security on its loan portfolio. Stress testing of falls in market values showed that even with a significant fall in market values, the Association would still have sufficient available security to meet existing and future loan requirements.

- **Liquidity** – current available cash and unutilised loan facilities of £73m which gives significant headroom for committed spend and other forecast cash flows that arise. The Association has sufficient facilities for its development programme and its other activities until March 2024;

- The Group's ability to withstand other adverse scenarios such as higher interest rates.

On the basis of its operational review the Board is confident of the Group's ability to adapt and meet the continuing challenges presented by Covid-19 and of its ability to play a wider part in the economic recovery of the areas in which the Group operates.

The Board believe the Group and the Association has sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios. The Board's consideration of the risk areas and of the Group's ability to meet its operational and financial obligations into the future enables it to make the assessment that, taking account of severe but plausible downsides, the Group and Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Statement of Board's responsibilities in respect of the Board's Report and the financial statements

The Board is responsible for preparing the strategic report, the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its 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) 2015.

It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board member has taken all the steps that he or she ought to have taken as a Board member to make himself or herself aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

By order of the Board

Nia Roblin
Secretary
24 June 2021

UNITED WELSH GROUP

Financial review

For the year ended 31 March 2021

The Group made a total surplus of £4.3m (2020 - £3.7m) for the year to 31 March 2021. Turnover increased by 6.9% to £40.2m (2020- £37.6m) and operating costs in the same period rose by 8.5% to £28.1m (2020 - £25.9m). Interest and financing costs fell by 2.5% to £7.9m (2020 - £8.1m) due to reduced LIBOR.

GROUP REVENUE	2021 £'000	2020 £'000
Social lettings	**30,461**	28,580
Service charges	**3,879**	4,087
Amortised grant	**2,296**	2,171
Revenue grant	**1,907**	1,679
Non-social lettings	**454**	469
Other activities	**1,169**	595
TOTAL TURNOVER	**40,166**	37,581

GROUP OPERATING COSTS	2021 £'000	2020 £'000
Management costs	**8,821**	8,132
Service costs	**3,652**	3,412
Depreciation	**7,094**	6,713
Development administration	**164**	427
Day to day maintenance	**7,511**	6,782
Other activity operating costs	**842**	456
TOTAL OPERATING COSTS	**28,084**	25,922

The increase in social lettings reflects the annual increase in rents of 2.7% plus additional rent of £1.1m from new properties.

Revenue grant increased from the previous year due to the new Bespoke Repatriation Service and securing Welsh Government funding for a Youth Homeless project in partnership with Llamau.

Other income has increased due to furlough grant and government funding for two new projects, Blaenau Gwent Climate Assembly and The Foundational Economy.

The management cost increase reflects additional salaries supported by the revenue grant mentioned above, and significant investment in IT equipment and digitalisation costs.

Asset management

The partnership contract between Celtic Horizons Ltd, United Welsh and Mears plc provides the asset management service to the Group. The Group invested £3.9m on major repairs to existing properties (2020 - £3.3m) and spent £7.5m (2020 - £6.8m) on day to day maintenance and cyclical repairs.

Development of new homes

Details of the Group's properties are set out in note 12 of the financial statements. During 2020/21 the Group spent £23.1m (2020 - £38.5m) on acquisition and development of social housing and received grant totaling £15.3m (2020 - £21.5m). The grant received includes S106 subsidy of £9.6m (2020 - £11.8m) to support this expenditure.

At the end of the year the Group's capital commitments in respect of contracted new developments amounted to £28.0m, which will be funded by a combination of public subsidy and private finance.

At the end of the year the Group has 6,322 properties in management as set out in note 12c to the financial statements.

Capital structure

Tangible fixed assets are financed as follows:

	2021	2020
Social Housing Grant (SHG) and other grants	**54%**	54%
Private finance	**38%**	38%
Reserves	**8%**	8%

Treasury and funding

Compliance with loan covenants is reported quarterly to the Board and an in-depth treasury performance review and treasury strategy are presented to Board half yearly. At the end of the year the Group had cash balances of £39.1m (2020 - £33.9m). The average monthly cash balance held during the year was £32.4m. Loans at the end of the year totalled £216.7m (2020 - £209.1m).

In May 2020 United Welsh entered a 30 year loan agreement with Scottish Widows for £50m to fund new developments. At the 31st March 2021 £10m has been drawn.

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FREE CASH FLOW STATEMENT	2021 Group £'000	2021 Association £'000	2020 Group £'000	2020 Association £'000
Net cash generated from operating activities	**14,314**	**14,910**	15,174	15,479
Interest paid	**(7,542)**	**(7,542)**	(7,850)	(7,850)
Interest received	**108**	**108**	300	300
Adjustments for reinvestment in existing properties:				
Component replacements	**(3,156)**	**(3,175)**	(2,912)	(2,912)
Purchase of other replacement fixed assets	**(854)**	**(854)**	(1,070)	(1,070)
	(11,444)	**(11,463)**	(11,532)	(11,532)
Free cash generated before loan repayments	**2,870**	**3,447**	3,642	3,947
Loans repaid	**(2,312)**	**(2,312)**	(2,161)	(2,161)
Free cash generated after loan repayments	**558**	**1,135**	1,481	1,786

GROUP FINANCIAL SUMMARY	2021 £'000	2020 £'000	2019 £'000
Statement of Comprehensive Income			
Turnover	**40,166**	37,581	36,400
Operating surplus	**12,082**	11,659	11,756
Surplus for the year	**4,289**	3,676	3,904
Statement of Financial Position			
Property, plant and equipment	**515,393**	495,294	459,998
Investment properties	**425**	475	590
Investments	**15,889**	14,924	12,421
Net current assets	**42,491**	44,933	58,762
Other creditors due after more than one year	**(220,829)**	(218,678)	(216,996)
Defined Benefit Pension Liability	**(5,688)**	(2,465)	(5,773)
Social Housing Grant and other grants	**(303,508)**	(290,902)	(272,002)
Share capital and reserves	**44,173**	43,581	37,000

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GROUP FINANCIAL PERFORMANCE INDICATORS	2021	2020	2019
Operating surplus as % of turnover	**30%**	31%	32%
Surplus as % of turnover	**11%**	10%	11%
Rental income loss from empty properties	**2.1%**	1.6%	1.3%
EBITDA* as % debt	**6%**	6%	6%
Net capital expenditure as % of turnover	**71%**	136%	74%
Gearing **	**33%**	34%	33%
Interest cover	**162%**	156%	145%
Net additional properties	**174**	269	71

* Earnings before interest, tax, depreciation and amortisation.
** During the year the Association moved to a Historic cost gearing covenant, the prior year comparators have been re-stated accordingly.

Reserves statement

General reserves represent the Group's investment in housing properties that are not funded by grant and loans. The adequacy of the Group's general reserves is determined by the Group's long-term financial forecasts and are benchmarked against other similar sized housing associations.

Reserves are used:

- To maintain a buffer against risk;
- To meet future liabilities, out of past and present income streams, e.g. major repairs;
- To satisfy the financial covenants of lenders;
- To financially support the quality of customer services at times of increasing pressures on revenue expenditure, e.g. during high levels of price inflation;
- To financially support the Group's development programme; and
- To fund interest and repayment of financing not covered by surpluses or refinancing.

The Group has general reserves at the year-end of £44.2m (2020 – £43.6m) which represents an increase of 1% on the previous year.

UNITED WELSH GROUP

Independent auditor's report to United Welsh Housing Association

Opinion

We have audited the financial statements of United Welsh Housing Association ("the Association") for the year ended 31 March 2021 which comprise the statements of comprehensive income, statements of changes in reserves, statements of financial position, statements of cash flows for the year and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Group and the Association as at 31 March 2021 and of the income and expenditure of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Association or to cease their operations, and as they have concluded that the Group's and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group's and the Association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of the Board as to the Group's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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As required by auditing standards, and taking into account possible pressures to meet loan covenants we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from property sales, revenue grant and non-social housing income is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as impairment and pension assumptions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: anti-bribery and anti-money laundering, GDPR legislation, health and safety and employment law recognizing the regulated nature of the Association's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Other information

The Association's Board is responsible for the other information, which comprises strategic report, Board report and the Statement on Internal Controls. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

In our opinion the Statement on Internal Controls on page 41:

- provides the disclosures required by the Housing Association Circular 02/10 Internal Controls and Reporting; and
- is not materially inconsistent with the information which we have been made aware of from our audit work on the financial statements.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page 46, the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group 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 it 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Date: 5 July 2021

UNITED WELSH GROUP

Statements of comprehensive income

For the year ended 31 March 2021

	Notes	2021 Group £'000	2021 Association £'000	2020 Group £'000	2020 Association £'000
Turnover	3	**40,166**	**39,728**	37,581	37,599
Operating costs	3	**(28,084)**	**(27,928)**	(25,922)	(26,093)
Operating surplus		**12,082**	**11,800**	11,659	11,506
Gain/(loss) on disposal of property, plant and equipment		**92**	**92**	(44)	(44)
Interest receivable		**108**	**108**	300	300
Interest and financing costs	10	**(7,911)**	**(7,911)**	(8,123)	(8,123)
Movement in fair value of investment properties	13	**(50)**	**(50)**	(115)	(115)
Gift aid from subsidiary		**-**	**51**	-	173
Surplus before tax		**4,321**	**4,090**	3,677	3,697
Tax on surplus	11	**(32)**	**-**	(1)	-
Surplus for the year		**4,289**	**4,090**	3,676	3,697
Other Comprehensive Income					
Actuarial (loss)/gain in respect of defined benefit pension scheme	31	**(3,697)**	**(3,697)**	2,905	2,905
Total comprehensive income for the year		**592**	**393**	6,581	6,602

Statements of changes in reserves

For the year ended 31 March 2021

	2021		2020	
	Group Total Reserves £'000	**Association Total Reserves £'000**	Group Total Reserves £'000	Association Total Reserves £'000
Balance at beginning of year	**43,581**	**43,817**	37,000	37,215
Surplus from Statement of Comprehensive Income	**592**	**393**	6,581	6,602
Balance at end of year	**44,173**	**44,210**	43,581	43,817

Total reserves are solely comprised of the comprehensive income reserve for both the Association and Group

The financial statements were approved by the Board on 24 June 2021 and signed on its behalf by:

G Sturges
Chair

D Williams
Chair of Audit & Risk Committee

Nia Roblin
Company Secretary

UNITED WELSH GROUP

Statements of financial position

As at 31 March 2021

	Notes	2021 Group £'000	2021 Association £'000	2020 Group £'000	2020 Association £'000
Fixed assets					
Housing properties	12a	**498,262**	**498,466**	478,551	478,736
Other property, plant and equipment	12b	**17,131**	**14,446**	16,743	13,888
Investment properties	13	**425**	**425**	475	475
		515,818	**513,337**	495,769	493,099
Investments: Homebuy and LCHO loans receivable	14	**13,887**	**13,887**	12,902	12,902
Investments: Other	15	**2,002**	**2,002**	2,022	2,022
		15,889	**15,889**	14,924	14,924
Current assets					
Debtors: amounts falling due within one year	16	**4,554**	**4,275**	4,085	4,175
Debtors: amounts falling due after one year	16	**12,619**	**15,807**	12,923	16,245
		17,173	**20,082**	17,008	20,420
Stock	17	**2,835**	**2,170**	6,363	6,363
Cash and cash equivalents		**39,142**	**38,361**	33,896	33,073
		59,150	**60,613**	57,267	59,856
Creditors: amounts falling due within one year	18	**(16,659)**	**(15,644)**	(12,334)	(12,025)
Net current assets		**42,491**	**44,969**	44,933	47,831
Total assets less current liabilities		**574,198**	**574,195**	555,626	555,854
Creditors: amounts falling due after more than one year	19	**(524,297)**	**(524,297)**	(509,572)	(509,572)
Provisions for liabilities and charges	11	**(40)**	**-**	(8)	-
Defined benefit pension liabilty	31	**(5,688)**	**(5,688)**	(2,465)	(2,465)
Net assets		**44,173**	**44,210**	43,581	43,817
Capital and reserves					
Share capital	25	**-**	**-**	-	-
Reserves		**44,173**	**44,210**	43,581	43,817
		44,173	**44,210**	43,581	43,817

The financial statements were approved by the Board on 24 June 2021 and signed on its behalf by:

G Sturges
Chair

D Williams
Chair of Audit & Risk Committee

Nia Roblin
Company Secretary

Company registration number: 26623R
The notes on pages 60 to 94 form part of these financial statements

UNITED WELSH GROUP

Statements of Cash Flows

For the year ending 31 March 2021

	2021 Group £'000	2021 Association £'000	2020 Group £'000	2020 Association £'000
Cashflow from operating activities				
Surplus for the year	**4,289**	**4,090**	3,676	3,697
Adjustment for non-cash items:				
Depreciation	**6,718**	**6,548**	6,453	6,283
Amortisation	**(3,765)**	**(3,765)**	(2,171)	(2,171)
Movement in fair value of investment properties	**50**	**50**	115	115
(Increase)/decrease in debtors	**(470)**	**33**	(1,148)	(627)
Increase in creditors	**935**	**732**	789	722
(Increase) in stock	**(665)**	**-**	-	-
Difference between pension costs charged in operating surplus and pension cashflows	**(476)**	**(476)**	(407)	(407)
Profit on disposal of fixed assets	**(105)**	**(105)**	44	44
Interest payable	**7,911**	**7,911**	8,123	8,123
Interest receivable	**(108)**	**(108)**	(300)	(300)
Cash inflow from operations	**14,314**	**14,910**	15,174	15,479
Cashflows from investing activities				
Finance income received	**108**	**108**	300	300
Proceeds from sale of property, plant and equipment	**92**	**92**	(44)	(44)
Purchase of property, plant and equipment	**(16,666)**	**(17,201)**	(27,295)	(27,326)
Component replacements to existing properties	**(3,156)**	**(3,175)**	(2,912)	(2,912)
Purchaser's equity in properties held for sale	**5,198**	**5,198**	(3,809)	(3,809)
Government grants received	**6,047**	**6,047**	7,159	7,159
Net acquisition of financial asset investments	**(546)**	**(546)**	(1,811)	(1,811)
Net cash outflow from investing activities	**(8,923)**	**(9,477)**	(28,412)	(28,443)
Net cash outflow before financing activities	**5,391**	**5,433**	(13,238)	(12,964)
Cashflows from financing activities				
Finance costs paid	**(7,542)**	**(7,542)**	(7,850)	(7,850)
Other government funding	**(291)**	**(291)**	(2,480)	(2,480)
New loans	**10,000**	**10,000**	-	-
Repayment of borrowings	**(2,312)**	**(2,312)**	(2,161)	(2,161)
Net cash ouflow from financing activities	**(145)**	**(145)**	(7,531)	(7,531)
Net increase/(decrease) in cash and cash equivalents	**5,246**	**5,288**	20,769	20,495
Cash and cash equivalents at the beginning of the year	**33,896**	**33,073**	54,665	53,568
Cash and cash equivalents at the end of the year	**39,142**	**38,361**	33,896	33,073

Notes to the consolidated financial statements

For the year ended 31 March 2021

1. Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Social Landlord. The Association has adopted charitable rules. The Association's wholly owned subsidiaries, Celtic Horizons Ltd and Harmoni Homes Ltd are registered under the Companies Act 2006.

2. Principal accounting policies and key estimates and judgements

Basis of accounting
These financial statements have been prepared in accordance with applicable Accounting Standards, specifically Financial Reporting Standard 102 (FRS102) in the United Kingdom and the Statement of Recommended (Accounting) Practice for Registered Social Housing Providers 2018 (SORP 2018) and comply with the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. The Group meets the definition of a Public Benefit Entity under FRS102. These financial statements have been prepared in Sterling on the historical cost basis, except for the modification to a fair value basis for investment properties and certain financial assets as specified in the accounting policies below. Other than the Statement of Cash Flows, these financial statements have been prepared on the accruals basis. Accounting policies are consistently applied from one financial year to another.

Basis of consolidation
The consolidated accounts include the financial statements of United Welsh Housing Association Ltd and its subsidiaries, Celtic Horizons Ltd and Harmoni Homes Ltd made up to the 31 March 2021. The purchase method of accounting has been adopted.

Going concern
The financial statements have been prepared on a going concern basis which the Board consider to be appropriate.

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in July 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

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A detailed assessment of the impact of Covid-19 is provided in the section above. However following the outbreak of Covid-19 the Group also undertook a series of further scenario testing including severe but plausible downsides in the worst case assessment. All areas of the Group's activity are now back to normal and any additional costs relating to Covid-19 have been managed within budget.

In addition, the risk areas in relation to the Celtic Offsite activities of its subsidiary are being carefully monitored. The current financial forecasts show that the subsidiary will be generating surpluses in year 3 and any surpluses generated will directly go towards funding the delivery of EPC A on existing homes.

The Board, after reviewing the Group and company budgets for 2021/22 and the Group's medium term financial position as detailed in the 30-year business plan is of the opinion that, taking account of severe but plausible downsides, the Group and the Association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

- **Rent and service charge receivable** – budget and business plan assumptions in relation to arrears, bad debts and voids are set at prudent levels too allow for the longer term impact of Universal Credit and Covid-19.
- **Maintenance costs** – budget and business plan scenarios have been modelled to take account of cost increases and costs relation to achieving the zero carbon strategy.
- **The property market** – the budget is set using prudent handover assumptions. In addition as explained in the above Covid-19 section the Association is currently in a strong position with over £66m of unsecured properties available if property values fall as well as having excess security on its loan portfolio. Stress testing of falls in market values showed that even with a significant fall in market values, the Association would still have sufficient available security to meet existing and future loan requirements
- **Liquidity** – current available cash and unutilised loan facilities of £73m which gives significant headroom for committed spend and other forecast cash flows that arise. The Association has sufficient facilities for its development programme and its other activities until March 2024;
- The group's ability to withstand other adverse scenarios such as higher interest rates.

On the basis of its operational review the Board is confident of the Group's ability to adapt and meet the continuing challenges presented by Covid-19 and of its ability to play a wider part in the economic recovery of the areas in which the Group operates. The Board believe the Group and the Association has sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios. The Board's consideration of the risk areas and of the Group's ability to meet its operational and financial obligations into the future enables it to make the assessment that, taking account of severe but plausible downsides, the Group and Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Critical accounting estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year. The Group based its estimates and assumptions on parameters available at the time the financial statements were prepared.

Impairment of non-financial assets

Social housing properties are sensitive to potential changes in value in use which may lead to impairment. In accordance with FRS102 the Association carries out an annual impairment review, assessing the Useful Economic Lives of properties and their future value to the Association, taking into account: the current level of demand for properties, the level of void losses, projected discounted cash flows and the ongoing investment in property maintenance and improvement.

Fair value of investment properties

The fair values of investment properties are sensitive to changes in market conditions, therefore the Group's investment properties are valued annually by an independent valuer and the carrying value amended, when necessary, to reflect current values.

Defined Benefit Pension Liability

The Group's share of the Social Housing (Defined Benefit) Pension Scheme fund deficit is shown on the Statement of Financial Position. The assumptions used to determine the liability have been considered and no amendments have been made as they were deemed appropriate. The SHPS accounting disclosures and assumptions have been shown in full (note 31).

Critical accounting judgements

The UK's departure from the European Union

The Group has considered the risks to our activities following from the UK's planned departure from the European Union. The risk assessment has considered the following areas:

- Labour availability, both in terms of the direct loss of mainland European nationals returning to the EU and relocation of UK nationals to higher earning areas of the UK;
- Materials availability, in particular materials sourced from other areas of the EU and;
- The availability of finance, in particular the impact on the costs of funds.

Following the review, the Board judges that sufficiently robust contingency arrangements are in place to ensure that the UK departure from the European Union will have little immediate impact on the Groups activities.

Turnover
Turnover represents rental and service charge income, sundry housing services and government grants receivable. Revenue for rent and service charges receivable is recognised in line with the letting period, net of losses from voids, from the point at which properties become available for letting. Rent and service charge losses from bad debts are included within operating costs. Social Housing Grant (SHG) is amortised over the expected useful life of the property. Feed-in tariff income receivable is recognised at the point the supply is provided.

Property, plant & equipment
Housing and other buildings (and their components) held for social benefit are shown at historical cost, less accumulated depreciation. Directly attributable costs, such as land costs, contractor payments and architects' fees are capitalised at cost. Directly attributable management expenses are allocated to the costs of schemes under construction to the extent that they represent incremental costs. The costs of improvement to existing housing properties are included if the improvements increase rental income, reduce future maintenance costs or significantly extend the life of the property. Where this is the case the full cost of each of the components is capitalised. When schemes are purchased requiring refurbishment, the costs of these refurbishments are fully capitalised.

Other fixed assets are held at historical cost, less accumulated depreciation.

Freehold land and assets in the course of construction are not depreciated.

Social Housing Grant, Housing Finance Grant and other capital grants
All government grants initially appear as creditors in the Statement of Financial Position at the fair value of the sum receivable. Grants are amortised on a straight line basis over the life of the asset whose purchase they support, unless they are received in respect of the provision of properties under the Homebuy or LCHO schemes, in which case grants are only taken to the Statement of Comprehensive Income at the point the loan is redeemed.

Social Housing Grant (SHG) and Housing Finance Grant (HFG) are receivable from the Welsh Government. SHG is received in full when a property is developed or acquired. HFG is received over a 30-year period with interest receivable from the Welsh Government, on the total capital value of the grant, over that period. Where land or buildings are acquired at below market value the carrying value reflects the fair value of the asset received, with the subsidy implicit in the arrangement deemed as grant and added to the grant creditor (note 22).

SHG and HFG are repayable in the event of a related property being sold and the grant not being re-utilised within three years (notes 23 and 24).

Grant received in respect of revenue costs, or from a non-Government source, is credited to the Statement of Comprehensive Income in the period in which those costs are incurred.

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Homebuy and other LCHO loans receivable

The loan to the purchaser of a property purchased under the Homebuy initiative or Low Cost Home Ownership (LCHO) scheme is treated as a fixed asset investment.

The Group retains equity shares ranging between 22% and 50% in homes purchased under the Homebuy and LCHO schemes. Where a property has been acquired by the Group at below market value (e.g. through a section 106 agreement), the difference between cost and market value at the point of purchase is deemed as grant.

The investment in Homebuy and LCHO is held on the Statement of Financial Position at cost (the initial value of the Association's equity share). On sale of the property the Association will receive a proportion of the sale proceeds equal to the Association's (percentage) equity share in the property. Grant received on Homebuy and LCHO schemes is recyclable on sale of these properties.

Depreciation

The Group charges depreciation over the expected useful economic lives of assets on a straight line basis (unless indicated otherwise) as follows:

Freehold properties	Lives
(a) Residential buildings:	
New build structure	150 years from date of construction
Rehabilitated properties structure	120 years from date of rehabilitation
(b) Non-Residential Buildings:	
Office buildings	60 years from date of construction
Other non-residential buildings	120 years from date of construction
Leasehold Buildings	
	50 years from the commencement of the lease or over the length of the lease (whichever is shorter)
Individual Components	
Kitchens	15 years
Bathrooms	25 years
Heating systems	30 years
Boilers	15 years
Windows	30 years
Doors	15 years
Roofs	60 years
Other	15 to 30 years
Photovoltaic panels	25 years
Other fixed assets	
Motor vehicles	25% reducing balance
Fixtures, furniture and equipment	5 - 20 years
Computer equipment and software	4 - 6 years

Stock
For low cost home ownership (LCHO) properties, stock represents the value of the purchaser's equity share in completed properties and the costs incurred to date of properties under construction.

For properties currently held for open market sale, stock represents the cost of properties.

Impairment of properties
Where it is recognised that there is a permanent diminution in value of any property, the full reduction in value is written off through operating costs to the Statement of Comprehensive Income in the year in which the diminution is recognised.

Investment properties
Properties held for the purpose of generating revenue or capital appreciation are classified as investment properties and held at fair value, with changes in fair value taken directly to the Statement of Comprehensive Income.

Other Investments
The Group's interest in UK Treasury bonds is held at amortised cost.

Investment in subsidiary
These are the financial statements of the Group and the Association only. Separate financial statements are produced for the subsidiaries Celtic Horizons Ltd and Harmoni Homes Ltd. Investment in these subsidiaries is carried at cost less impairment.

Debtors and creditors
Debtors are recognised initially at transaction price less attributable transaction costs. Creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost less, in the case of rent debtors, any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments, discounted at a market rate for a similar debt instrument.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Leases and similar hire purchase agreements
Where the Group leases property, plant or equipment (either as lessee or lessor) and there is a transfer of substantially all of the risks and rewards of ownership, the lease is classified as a finance lease. All other leases are classified as operating leases. Leased assets are held by the lessor at an amount equal to the lower of their fair value and the present value of the minimum lease payments, with an equivalent finance lease liability recognised. The Group recognises lease income and costs relating to operating leases in the statement of comprehensive income on a straight-line basis over the term of the lease, subject to any adjustment for lease incentives or onerous lease contracts.

Financial instruments
Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. After initial recognition, financial assets and liabilities are measured at amortised cost. A financial asset is de-recognised when the contractual rights expire. A financial liability is de-recognised when the contractual obligation is extinguished.

Housing and other loans classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing loans are stated at amortised cost using the effective interest method, less any impairment losses.

Pensions
New employees are eligible to join the Social Housing Defined Benefit CARE 80th Scheme, managed by The Pensions Trust.

The Group's share of assets and liabilities in respect of the Social Housing Pension Scheme are assessed by the scheme actuary as at each reporting date, based upon key assumptions including discount rates, mortality rates, inflation, future salary costs and future pension costs. See note 31, for details. Changes in the Group's net asset or net liability in respect of its obligations to scheme members pass through Other Comprehensive Income and have an impact on the Group's financial reserves.

It is not possible for the Group to obtain sufficient information to enable it to account for Growth Plan as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

Corporation tax
The Association is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3. Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Celtic Horizons Ltd and Harmoni Homes Ltd are subject to Corporation Tax. The Corporation Tax disclosures are included in note 11.

Value added tax
The Association charges Value Added Tax (VAT) on some services and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. VAT payable or recoverable at the year end is included as a current liability or asset as appropriate.

Celtic Horizons Ltd and Harmoni Homes Ltd are subject to VAT.

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Deferred tax
The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of such timing differences which have arisen but not reversed by the date of Statement of Financial Position, except as otherwise required by Section 29 of FRS102.

Related Party transactions
See Note 8 for details of related party transactions. In accordance with paragraph 33.1A of FRS102, transactions between the Group's wholly owned subsidiaries, Celtic Horizons Ltd, Harmoni Homes Ltd and other members of the Group have not been separately disclosed in these financial statements.

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3.Turnover, operating costs and operating surplus

GROUP	2021			2020		
	Turnover £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Operating costs £'000	Operating surplus £'000
	(note 4)	(note 5)				
Social Housing						
Social housing lettings	38,543	(27,242)	11,301	36,517	(25,466)	11,051
TOTAL FROM SOCIAL HOUSING	38,543	(27,242)	11,301	36,517	(25,466)	11,051
Non social housing activities						
Lettings	454	(52)	402	469	(73)	396
Other activities	1,169	(790)	379	595	(383)	212
TOTAL	40,166	(28,084)	12,082	37,581	(25,922)	11,659

ASSOCIATION	2021			2020		
	Turnover £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Operating costs £'000	Operating surplus £'000
	(note 4)	(note 5)				
Social Housing						
Social housing lettings	38,543	(27,414)	11,129	36,517	(26,647)	10,870
TOTAL FROM SOCIAL HOUSING	38,543	(27,414)	11,129	36,517	(26,647)	10,870
Non social housing activities						
Lettings	454	(52)	402	469	(73)	396
Other activities	731	(462)	269	613	(373)	240
TOTAL	39,728	(27,928)	11,800	37,599	(26,093)	11,506

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4. Group and Association - income from social housing lettings

TURNOVER	General needs housing £'000	Supported housing £'000	**2021** Total £'000	2020 Total £'000
Rents receivable net of voids	25,655	4,806	**30,461**	28,580
Service charge income	2,954	925	**3,879**	4,087
Amortisation of Social Housing Grant & other grants	1,898	398	**2,296**	2,171
Grant receivable	202	1,705	**1,907**	1,679
Turnover from social housing lettings	30,709	7,834	**38,543**	36,517
Rent losses from voids (memorandum note)	(559)	(167)	**(726)**	(480)

5. Expenditure on social housing lettings

GROUP	General needs housing £'000	Supported housing £'000	**2021** Total £'000	2020 Total £'000
Management costs	5,811	2,859	**8,670**	7,691
Service charge costs	2,468	1,184	**3,652**	3,412
Development administration	128	36	**164**	427
Depreciation	6,019	1,075	**7,094**	6,713
Rent losses from bad debts	116	35	**151**	441
Day to day maintenance & cyclical repairs	6,493	1,018	**7,511**	6,782
Operating costs on social housing lettings	21,035	6,207	**27,242**	25,466
Operating surplus on social housing lettings	9,674	1,627	**11,301**	11,051

5. Expenditure on social housing lettings (continued)

ASSOCIATION	General needs housing £'000	Supported housing £'000	2021 Total £'000	2020 Total £'000
Management costs	5,811	2,859	**8,670**	7,691
Service charge costs	2,468	1,184	**3,652**	3,412
Development administration	204	36	**240**	525
Depreciation	6,019	1,075	**7,094**	6,713
Rent losses from bad debts	116	35	**151**	441
Day to day maintenance & cyclical repairs	6,589	1,018	**7,607**	6,865
Operating costs on social housing lettings	21,207	6,207	**27,414**	25,647
Operating surplus on social housing lettings	9,502	1,627	**11,129**	10,870

During the year £3.9m of major repairs expenditure was capitalised (2020 - £3.3m).

6. Auditor's Remuneration

	2021		2020	
	Group £'000	**Association £'000**	Group £'000	Association £'000
Audit of financial statements	**38**	**29**	31	25
Tax advisory fees	**42**	**42**	19	19
	80	**71**	50	44

UNITED WELSH GROUP

7. Group and Association - key management personnel

The remuneration paid to the senior executives was:	2021 £'000	2020 £'000
Emoluments (including pension contributions and benefits in kind)	**447**	448
Emoluments (excluding pension contributions) paid to the highest paid senior employee	**139**	139

Total remuneration of £55k was paid to non-employee members of the Board during the year (2020 - £61k). The Chair of Board is paid £10k, other Chairs £6k and Board members £5k. The emoluments of non-employee Board members and senior employees, including pension contributions, were in the following ranges:

	2021 No.	2020 No.
£1 - £50,000	**10**	12
£60,001 - £70,000	**-**	1
£70,001 - £80,000	**1**	-
£90,001 - £100,000	**-**	1
£100,001 - £110,000	**1**	-
£120,001 - £130,000	**1**	1
£150,001 - £160,000	**1**	1

The Group Chief Executive is an ordinary member of the pension scheme and no special terms apply. The contribution for the year in respect of the Group Chief Executive's pension fund amounted to £11,623.

UNITED WELSH GROUP

8. Interests and related party transactions

The Association also entered into transactions with The Pensions Trust (TPT) in respect of the pensions schemes offered to employees. Details of such transactions are included in Note 31.

The Association provides administrative support to Celtic Horizons Ltd and Harmoni Homes Ltd. The costs for this service is apportioned based on staff time. The Association also provides development services to Harmoni Homes Ltd, this is recharged based on the development programme.

Harmoni Homes Ltd recharged costs of £7.6m reflecting a 1% mark up on costs for construction of social housing which is included in note 12a housing properties (2020 - £10.0m).

Celtic Horizons Ltd recharged the Association £4.8m for provision of labour associated with the delivery of the responsive, cyclical and planned maintenance service reflecting a mark up on costs of 2.5%. Costs of £4.1m are included in day to day maintenance and cyclical repairs (note 5) and £0.8m housing properties (note 12a), (2020 - £4.6m).

There were no tenant Board members during the year.

UNITED WELSH GROUP

9. Employees and employee costs

	2021		2020	
	Group £'000	**Association £'000**	Group £'000	Association £'000
Wages and salaries	**11,135**	**6,637**	10,287	6,311
Social security costs	**1,006**	**582**	962	593
Pension costs - Defined benefit	**334**	**334**	123	123
Pension costs - Defined contribution	**604**	**476**	428	309
	13,079	**8,029**	11,800	7,336

There were no amounts payable to the pension scheme at either the beginning or end of the year. During the year Celtic Horizons Ltd continued to provide the labour associated with the delivery of the responsive, cyclical and planned maintenance service to United Welsh in partnership with Mears. Employer Pension costs have increased during the year due to the implementation of Pension Plus salary sacrifice scheme, there is a compensating decrease in wages and salaries.

	2021		2020	
	Group No.	**Association No.**	Group No.	Association No.
The average monthly number of staff (full time equivalent) during the year	**384**	**222**	349	198
The actual number of staff at end of year	**372**	**205**	372	209

10. Group and Association - interest payable and similar charges

	2021 £'000	2020 £'000
On loans repayable by instalments	**3,193**	3,442
On loans repayable other than by instalments	**4,925**	4,862
Capitalised interest	**(260)**	(311)
Finance charge in respect of the defined benefit pension scheme	**53**	130
	7,911	8,123

UNITED WELSH GROUP

11. Corporation tax

As referred to in the accounting policy note 2, the Association is not subject to corporation tax. The group tax charge is set out:

a) Analysis of the tax charge	2021 Group £'000	2020 Group £'000
Current tax - UK Corporation tax on profit	**31**	-
Deferred tax - Deferred tax charge	**1**	1
Total tax	**32**	1

b) Deferred tax

Provided and unprovided deferred tax comprises the following:	2021		2020	
	Provided £'000	**Group Unprovided £'000**	Provided £'000	Group Unprovided £'000
Fixed asset timing differences	**9**	**-**	8	-
	9	**-**	8	-

Reconciliation of effective tax rate	2021 Group £'000	2020 Group £'000
Surplus before taxation	**4,321**	3,677
Effects of:		
Tax using the UK corporation tax rate of 19% (2020: 19%)	**(817)**	(703)
Non-taxable surpluses (due to charitable status)	**767**	669
Gift aid relief	**10**	33
Tax on surplus	**(40)**	(1)

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. An increase to 25% (effective 1 April 2023) has been announced, although not substantively enacted. This will increase the company's future tax charge accordingly. The deferred tax liability at 31 March 2021 has been calculated at 19% (2020: 19%).

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12a. Housing properties

GROUP	Social Housing properties held for letting £'000	Housing properties in the course of construction £'000	**Total social housing properties £'000**
Cost or Valuation			
At beginning of year	499,726	23,519	**523,245**
Transferred on completion	30,920	(30,920)	**-**
Additions during the year	3,156	23,102	**26,258**
Disposals during the year	(23)	-	**(23)**
Components replaced	(272)	-	**(272)**
At end of year	533,507	15,701	**549,208**
Depreciation			
At beginning of year	44,694	-	**44,694**
Charge for the year	6,528	-	**6,528**
Disposals during the year	(4)	-	**(4)**
Components replaced	(272)	-	**(272)**
At end of year	50,946	-	**50,946**
Net book value			
At end of year	482,561	15,701	**498,262**
At beginning of year	455,032	23,519	**478,551**

UNITED WELSH GROUP

12a. Housing properties (continued)

ASSOCIATION	Social Housing properties held for letting £'000	Housing properties in the course of construction £'000	**Total social housing properties £'000**
Cost or Valuation			
At beginning of year	499,911	23,519	**523,430**
Transferred on completion	30,920	(30,920)	**-**
Additions during the year	3,175	23,102	**26,277**
Disposals during the year	(23)	-	**(23)**
Components replaced	(272)	-	**(272)**
At end of year	533,711	15,701	**549,412**
Depreciation			
At beginning of year	44,694	-	**44,694**
Charge for the year	6,528	-	**6,528**
Disposals during the year	(4)	-	**(4)**
Components replaced	(272)	-	**(272)**
At end of year	50,946	-	**50,946**
Net book value			
At end of year	482,765	15,701	**498,466**
At beginning of year	455,217	23,519	**478,736**

Land and buildings includes land with a carrying value of £104m. The additions under housing properties held for letting comprise improvements to existing properties of £3.9m (2020 - £3.3m) £3.2m components and a further £0.7m classified as scheme equipment in note 12b.

UNITED WELSH GROUP

12b. Other property, plant and equipment

GROUP	Non-housing properties £'000	Scheme equipment £'000	Photovoltaic panels £'000	Vehicles & office equipment £'000	**2021 Total £'000**
Cost or Valuation					
At beginning of year	11,313	5,402	4,329	2,650	**23,694**
Additions during the year	-	1,128	-	92	**1,220**
Disposals during the year	(71)	(137)	-	(158)	**(366)**
At end of year	11,242	6,393	4,329	2,584	**24,548**
Depreciation					
At beginning of year	1,606	2,317	1,420	1,608	**6,951**
Charge for the year	89	310	173	174	**746**
Disposals during the year	-	(124)	-	(156)	**(280)**
At end of year	1,695	2,503	1,593	1,626	**7,417**
Net book value					
At end of year	9,547	3,890	2,736	958	**17,131**
At beginning of year	9,707	3,085	2,909	1,042	**16,743**

UNITED WELSH GROUP

12b. Other property, plant and equipment (continued)

ASSOCIATION	Non-housing properties £'000	Scheme equipment £'000	Photovoltaic panels £'000	Vehicles & office equipment £'000	**2021 Total £'000**
Cost or Valuation					
At beginning of year	11,313	5,402	76	2,650	**19,441**
Additions during the year	-	1,128	-	92	**1,220**
Disposals during the year	(71)	(137)	-	(158)	**(366)**
At end of year	11,242	6,393	76	2,584	**20,295**
Depreciation					
At beginning of year	1,606	2,316	23	1,608	**5,553**
Charge for the year	89	310	3	174	**576**
Disposals during the year	-	(124)	-	(156)	**(280)**
At end of year	1,695	2,502	26	1,626	**5,849**
Net book value					
At end of year	9,547	3,891	50	958	**14,446**
At beginning of year	9,707	3,086	53	1,042	**13,888**

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12c. Housing and other properties

	2021		2020	
	Group £'000	**Association £'000**	Group £'000	Association £'000
Properties at cost:				
Freehold	**500,188**	**500,373**	479,922	480,107
Long leasehold	**5,334**	**5,334**	5,514	5,514
Short leasehold	**2,306**	**2,306**	2,822	2,822
	507,828	**508,013**	488,258	488,443
Represented by:				
Social housing properties	**498,262**	**498,466**	478,551	478,736
Non-housing properties	**9,547**	**9,547**	9,707	9,707
	507,809	**508,013**	488,258	488,443

	2021 No.	2020 No.
Properties owned and managed		
General needs housing properties in management	**5,080**	4,915
Supported housing bed spaces - agency managed	**824**	754
Supported housing bed spaces - directly managed	**59**	132
Homebuy/LCHO	**304**	282
Other properties	**55**	65
	6,322	6,148

Fixed charges have been granted on the Association's housing properties to secure SHG.

13. Group and Association - investment properties

	2021 £'000
At beginning of year	**475**
Movement in fair value	**(50)**
At end of year	**425**

The existing freehold investment properties, comprising one office and one shop, were valued by Savills, an independent valuer, with a recognised and relevant professional qualification in March 2021. The basis of the valuation was market value.

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14. Group and Association - Investments: Homebuy and LCHO loans receivable

	Homebuy £'000	LCHO £'000	2021 Total £'000
At beginning of year	1,424	11,478	**12,902**
Additions during the year	-	1,182	**1,182**
Disposals during the year	(37)	(160)	**(197)**
At end of year	1,387	12,500	**13,887**

Homebuy and other LCHO loans receivable represent the initial value of the Association's remaining equity share in properties funded under the Homebuy initiative and other equity share Low Cost Home Ownership (LCHO) Schemes.

15. Group and Association - Investments: other

	2021 £'000	2020 £'000
Gilt	**2,002**	2,022

This represents the Group and Association's investment in UK Government Bonds (4.5% 2042 issue) with a nominal value of £1,466,400. The Gilt is a basic financial instrument held at amortised cost.

The Association owns 100% of the ordinary share capital of Celtic Horizons Ltd and Harmoni Homes Ltd, companies incorporated in the United Kingdom. The principal activity of Celtic Horizons Ltd is associated housing activities and the principal activity of Harmoni Homes Ltd is property development. The cost of the Association's investment in each entity is £1.

UNITED WELSH GROUP

16. Debtors

	2021		2020	
	Group £'000	**Association £'000**	Group £'000	Association £'000
Arrears of tenant rent and service charges	**1,864**	**1,864,**	1,624	1,624
Provision for bad and doubtful debts	**(1,410)**	**(1,410)**	(1,435)	(1,435)
	454	**454**	189	189
Other rental debtors	**305**	**305**	316	316
Other debtors and prepayments	**2,462**	**1,861**	2,246	1,900
Loans under the Empty Homes Initiative	**-**	**-**	26	26
Housing Finance Grant	**12,923**	**12,923**	13,214	13,214
Interest reserve fund cash deposit	**1,029**	**1,029**	1,017	1,017
Intercompany account	**-**	**188**	-	310
Finance lease contracts	**-**	**3,322**	-	3,448
	17,173	**20,082**	17,008	20,420
Amounts falling due after one year included above:				
Housing Finance Grant	**12,619**	**12,619**	12,923	12,923
Finance lease contracts	**-**	**3,188**	-	3,322
	12,619	**15,807**	12,923	16,245

Housing Finance Grant is paid by the Welsh Government as a contribution towards the costs of housing assets. The grant is payable over a period of 30 years. Housing Finance Grant of £304k (2020 - £291k) is due within one year and £12,619k (2020 - £12,923k) is due in over one year.

At the end of the year the Association had invested £4.3m (note 12b) in photovoltaic panels for the purpose of letting under lease contracts. Fees during the year from lease contracts amounted to £214,000 (2020 - £221,000). The investment in lease contracts in the Association includes £3.3m (2020 - £3.4m) of which £134,000 (2020 - £126,000) is due within one year and £3.2m (2020 - £3.3m) is receivable in over one year. These assets are leased to the Association's subsidiary Celtic Horizons Ltd.

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17. Stock

	2021		2020	
	Group £'000	Association £'000	Group £'000	Association £'000
LCHO held for sale	**2,835**	**2,170**	6,363	6,363

18. Creditors: amounts falling due within one year

	2021		2020	
	Group £'000	Association £'000	Group £'000	Association £'000
Maintenance and other supplies	**1,712**	**1,543**	1,784	1,492
Capital expenditure on housing properties	**1,769**	**1,001**	2,678	2,445
Inter company	**-**	**20**	-	216
Housing loans (note 20)	**2,516**	**2,516**	2,146	2,146
Social Housing Grant and other grants (note 22)	**2,405**	**2,405**	2,173	2,173
Other government funding	**2,938**	**2,938**	-	-
Pension scheme deficit recovery plan	**4**	**4**	3	3
Accruals and deferred income	**2,893**	**2,893**	1,959	1,959
Prepayments of rents and service charges	**743**	**743**	673	673
Recycled Capital Grant fund (note 23)	**1,128**	**1,128**	508	508
Disposal Proceeds Fund (note 24)	**276**	**276**	215	215
Other capital creditors	**9**	**9**	37	37
Tax and social security	**266**	**168**	158	158
	16,659	**15,644**	12,334	12,025

UNITED WELSH GROUP

19. Group and Association – Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Housing loans (note 20)	**210,645**	204,796
Social Housing Grant and other grants (note 22)	**303,508**	290,902
Other government funding	**1,075**	4,125
Pension scheme deficit recovery plan	**10**	13
Recycled Capital Grant fund (note 23)	**175**	620
Disposal Proceeds Fund (note 24)	**-**	61
Other long term creditor	**978**	782
Deferred creditor	**7,906**	8,273
	524,297	509,572

Housing loans are held at amortised cost and are secured by fixed charges on housing properties.

United Welsh was awarded an interest free Welsh Government loan in partnership with Cadwyn HA and Linc Cymru towards financing works to improve energy efficiency and de-carbonisation of a number of properties owned by the Associations. This is included in other government funding above.

In March 2021 Celtic Horizons Ltd was successfully awarded an interest free loan of £2,093,000 from Welsh Government for the purposes of setting up an offsite timber manufacturing company. The funds are held in Escrow account and will be released post year end.

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20. Group and Association - Housing loans

	2021 £'000	2020 £'000
Loans repayable by instalments fall due as follows:		
In five years or more	**92,136**	88,173
Between two and five years	**12,250**	9,383
Between one and two years	**3,106**	2,702
	107,492	100,258
In one year or less	**2,753**	2,299
	110,245	102,557
Loans repayable other than by instalments fall due as follows:		
In five years or more	**106,500**	106,500
Between two and five years	**-**	-
	106,500	106,500
Total housing loans	**216,745**	209,057
Amortised costs due within one year	**(237)**	(153)
Amortised costs due after one year	**(3,347)**	(209,057)
Total net loans	**213,161**	206,942

The interest rates are between 1.96% and 11.21% for fixed rate loans and between 0.60% and 1.45% (plus 3 Month LIBOR) for variable rate loans.

On 6 May 2020 United Welsh entered into a 30 year loan agreement with Scottish Widows for £50m to fund new developments. At 31st March 2021 £10m has been drawn.

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21. Analysis of changes in net debt

GROUP	At 1st April 2020 £'000	Cash flows £'000	**At 31st March 2021 £'000**
Cash and cash equivalents	33,896	5246	**39,142**
Housing loans due within one year	2,146	370	**2,516**
Housing loans due after more than one year	204,796	5,849	**210,645**
	240,838	11,465	**252,303**

ASSOCIATION	At 1st April 2020 £'000	Cash flows £'000	**At 31st March 2021 £'000**
Cash and cash equivalents	33,073	5288	**38,361**
Housing loans due within one year	2,146	370	**2,516**
Housing loans due after more than one year	204,796	5,849	**210,645**
	240,015	11,507	**251,522**

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22. Group and Association - Social Housing Grant and other grants

	2021 £'000	2020 £'000
At beginning of year	**293,075**	274,072
Grant amortised during the year	**(2,298)**	(2,181)
Amortisation credit written back on disposal	**2**	10
Grant receivable	**15,322**	21,465
Grant taken to income on disposal	**(13)**	-
Grant transferred to Recycled Grant Fund (Note 23)	**(175)**	(230)
Grant transferred to Disposals Proceeds Fund (Note 24)	**-**	(61)
At end of year	**305,913**	293,075
Amount due within one year (Note 18)	**2,405**	2,173
Amount due after one year (Note 19)	**303,508**	290,902
At end of year	**305,913**	293,075

Total Social Housing Grant received to date is £324,181,790 (2020 £310,322,000).

23. Group and Association - Recycled Capital Grant Fund

	2021 £'000	2020 £'000
At beginning of year	**1,128**	898
Grant recycled in the year (Note 22)	**175**	230
At end of year	**1,303**	1,128
Amount due for repayment to Welsh Government within one year (Note 18)	**1,128**	508
Amount due for repayment to Welsh Government after one year (Note 19)	**175**	620

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24. Group and Association - Disposal Proceeds Fund

	2021 £'000	2020 £'000
At beginning of year	**276**	280
Grant recycled in the year	**-**	61
Grant allocated	**-**	(65)
At end of year	**276**	276
Amount due for repayment to Welsh Government within one year (Note 18)	**276**	215
Amount due for repayment to Welsh Government after one year (Note 19)	**-**	61

25. Group and Association - Share capital

	2021 £	2020 £
Shares of £1 each fully paid:		
At beginning of year	**24**	26
Issued during the year for cash	**-**	-
Cancelled during the year	**(2)**	(2)
At end of year	**22**	24

Shareholders have no equity interest in the Association. There are voting rights attached to the shares. The shares carry no rights to dividend payments or distribution on winding up and there is no provision for redemption. Shares cancelled are written back to reserves.

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26. Obligations under leases

Finance Lease Agreements with the Association as Lessor
The Association leases solar PV generators to its subsidiary Celtic Horizons Ltd under a finance lease. Future minimum rentals under non-cancellable finance leases are as follows:

	2021 £'000	2020 £'000
Within one year	**134**	126
Between two and five years	**621**	585
Over five years	**2,567**	2,737
	3,322	3,448

Operating Lease Agreements with the Association as Lessor
The Association leases its housing stock under various forms of tenancy, all of which allow the tenant to terminate the agreement on 28 days notice. Additionally, the Association leases some non-housing properties to third parties for uses that benefit the local community and some retail and office properties under standard commercial leases. The operating leases have remaining terms of between 1 and 29 years. Future minimum rentals receivable under operating leases are as follows:

	2021 £'000	2020 £'000
Within one year	**3,117**	**2,975**
Between two and five years	**1,199**	**1,097**
Over five years	**4,705**	**4,654**
	9,021	**8,726**

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27. Capital commitments

	2021		2020	
	Group £'000	**Association £'000**	Group £'000	Association £'000
Contracted less certified	**27,953**	**10,667**	23,927	6,417
Authorised by the Board but not contracted	**77,829**	**8,790**	67,622	21,075
	105,782	**19,457**	91,549	27,492

The capital commitments will be funded by a combination of SHG, other grants and private finance.

28. Group and Association - Contingent liabilities

There were no contingent liabilities at either the beginning or the end of the year.

29. 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.

30. Group information

United Welsh Housing Association is the ultimate parent of both Celtic Horizons Ltd and Harmoni Homes Ltd, holding 100% of the ordinary share capital of both entities. All entities are incorporated in Great Britain and registered in England and Wales. Celtic Horizons Ltd principal activity is the provision of associated housing services and Harmoni Homes Ltd principal activity is property development.

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31. Group and Association - Pension costs

During the year the Group participated in 2 defined benefit pension schemes, the Social Housing Pension Scheme (SHPS) CARE 80th and The Growth Plan, both of which are multi-employer, final salary, schemes. The Growth Plan is closed to new members.

The Group's share of assets and liabilities in respect of the Social Housing Pension Scheme are assessed by the scheme actuary as at each reporting date, based upon key assumptions including discount rates, mortality rates, inflation, future salary costs and future pension costs. Changes in the Group's net asset or net liability in respect of its obligations to scheme members pass through Other Comprehensive Income and have an impact on the Group's financial reserves.

It is not possible for the Group to obtain sufficient information to enable it to account for Growth Plan as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme. The Group's current liability in respect of the Growth Plan is £14,000.

Social Housing Pension Scheme

Fair Value Of Plan Assets, Present Value Of Defined Benefit Obligation, And Defined Benefit Asset (Liability)	31 March 2021 £'000	31 March 2020 £'000
Fair value of plan assets	**21,777**	18,931
Present value of defined benefit obligation	**27,465**	21,396
Surplus (deficit) in plan	**(5,688)**	(2,465)
Defined benefit asset (liability) to be recognised	**(5,688)**	(2,465)
Net defined benefit asset (liability) to be recognised	**(5,688)**	(2,465)

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31. Group and Association - Pension costs (continued)

Social Housing Pension Scheme

Reconciliation Of Opening And Closing Balances Of The Defined Benefit Obligation	Period ended 31 March 2021 £'000
Defined benefit obligation at start of period	21,396
Current service cost	374
Expenses	15
Interest expense	504
Member contributions	2
Actuarial losses (gains) due to scheme experience	(149)
Actuarial losses (gains) due to changes in demographic assumptions	95
Actuarial losses (gains) due to changes in financial assumptions	5,865
Benefits paid and expenses	(637)
Defined benefit obligation at end of period	**27,465**

Reconciliation Of Opening And Closing Balances Of The Fair Value Of Plan Assets	Period ended 31 March 2021 £'000
Fair value of plan assets at start of period	18,931
Interest income	451
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	2,114
Deficit contributions by the employer	582
Normal service contributions by the employer	334
Contributions by plan participants	2
Benefits paid and expenses	(637)
Fair value of plan assets at end of period	**21,777**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £2,565,000.

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31. Group and Association - Pension costs (continued)

Social Housing Pension Scheme

Defined Benefit Costs Recognised In Statement Of Comprehensive Income (SOCI)	Period from 31 March 2020 to 31 March 2021 £'000
Current service cost	374
Expenses	15
Net interest expense	53
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**442**

Defined Benefit Costs Recognised In Other Comprehensive Income	Period ended 31 March 2021 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	2,114
Experience gains and losses arising on the plan liabilities - gain (loss)	149
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(95)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(5,865)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	**(3,697)**
Total amount recognised in other comprehensive income - gain (loss)	**(3,697)**

UNITED WELSH GROUP

31. Group and Association - Pension costs (continued)

Social Housing Pension Scheme

Assets	31 March 2021 £'000	31 March 2020 £'000
Global Equity	**3,471**	2,769
Absolute Return	**1,202**	987
Distressed Opportunities	**628**	365
Credit Relative Value	**686**	519
Alternative Risk Premia	**820**	1,324
Fund of Hedge Funds	**2**	11
Emerging Markets Debt	**879**	573
Risk Sharing	**793**	639
Insurance-Linked Securities	**523**	581
Property	**452**	417
Infrastructure	**1,452**	1,408
Private Debt	**519**	382
Opportunistic Illiquid Credit	**554**	459
High Yield	**652**	0
Opportunistic Credit	**597**	0
Corporate Bond Fund	**1,287**	1,079
Liquid Credit	**260**	8
Long Lease Property	**427**	328
Secured Income	**906**	718
Liability Driven Investment	**5,535**	6,283
Net Current Assets	**132**	81
Total assets	**21,777**	18,931

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.

UNITED WELSH GROUP

31. Group and Association - Pension costs (continued)

Social Housing Pension Scheme

Key assumptions	31 March 2021 % per annum	31 March 2020 % per annum
Discount Rate	**2.18%**	2.37%
Inflation (RPI)	**3.27%**	2.60%
Inflation (CPI)	**2.87%**	1.60%
Salary Growth	**3.87%**	2.60%
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:	Life expectancy at age 65 years
Male retiring in 2021	**21.6**
Female retiring in 2021	**23.5**
Male retiring in 2041	**22.9**
Female retiring in 2041	**25.1**

Contact us

United Welsh

Office at:
Y Borth,
13 Beddau Way,
Caerphilly,
CF83 2AX

E-mail: tellmemore@unitedwelsh.com

Celtic Horizons

Trading from:
Suite 2, Block D, Van Court
Caerphilly Business Park
Caerphilly,
CF83 3ED

E-mail: info@celtichorizons.co.uk

0330 159 6080 or 029 2085 8100
www.unitedwelsh.com

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We are able to provide information in other formats including large print, audio or an alternative language.

If you have any comments on the format or content of this report that could help us improve it for next year please contact Nia Roblin, Company Secretary.