



united
welsh

People
are
at the
heart of
all that
we do

Annual Report and Consolidated Financial
Statements for the year ended 31 March 2019



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Foreword



As Chair and Group Chief Executive, we are pleased to present our annual report for the year ended 31 March 2019.

We have had another busy and exciting year at United Welsh with many memorable highlights.

Our desire to make a difference to the communities we work with and to create the best working environment for our people, so they can deliver excellent services and help people to live their best lives, continues to shape our strategy.

We were delighted to be able to expand the social prescribing services we offer by entering into a partnership with Cardiff Council to deliver Community Wellbeing to its citizens and also to be awarded grants to enable us to tackle isolation among our older tenants helping them become more connected to their communities. We look forward to building on these valuable partnerships to reach even more people.

We continue to be acutely aware that many of our tenants are experiencing difficult times and we have been working hard to find new practical ways to help.

This has included introducing Fit n Fed programmes during the school holidays to combat holiday hunger and employing dedicated employment mentors to support our tenants into jobs and training.

As we look ahead we believe that our innovative approaches to using new technology in our development programme will help us to continue to build much needed quality affordable homes that are sustainable and even more energy efficient.

We should like to express our thanks to all our colleagues at United Welsh and Celtic Horizons for their continued hard work and commitment to making a difference. Our appreciation is also extended to the Board members for their significant contributions.

Finally, thanks and best wishes go to our Group Director of Resources and Board Member, Gareth Hexter who has retired from the Association after 20 years. He leaves a great legacy."

Grahame Sturges, Chair
Lynda Sagona, Group Chief Executive

We are
driven
by our
values

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

Who We Are and What We Do

WE BUILD HOMES, CREATE COMMUNITIES AND TRANSFORM LIVES.

We are an ambitious, innovative not-for-profit organisation providing housing and related services to people in South Wales. Our Group includes Celtic Horizons Ltd which, in partnership, looks after all our property services and Harmoni Homes Ltd which builds affordable homes and homes for sale.

We currently manage almost 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 family housing, Extra Care and supported housing and

are committed to working in partnership and collaborating 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, enabling a progressive environment which supports us to embrace new ideas and deliver our priorities.

We are passionate about making a difference, keeping people safe, embracing diversity, 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, tackling poverty and providing secure homes alongside support and opportunities for the communities where we are proud to work.



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

We are committed to monitoring the effects of equality and diversity and to mainstreaming equality, diversity and human rights across the organisation. Above all, we will continue to promote and deliver equality as an integral part of who we are and what we do.



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



**OVERALL AVERAGE
SAP RATING IS 81**

(2018 ALL WALES HOUSING ASSOCIATION
MEDIAN RATING WAS 72.5)

Value for money – making the most of our resources

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.

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 Board conducted a wholesale review of risks to the business during the year, including considering the potential impacts of Brexit. However our key strategic risks remain unchanged.

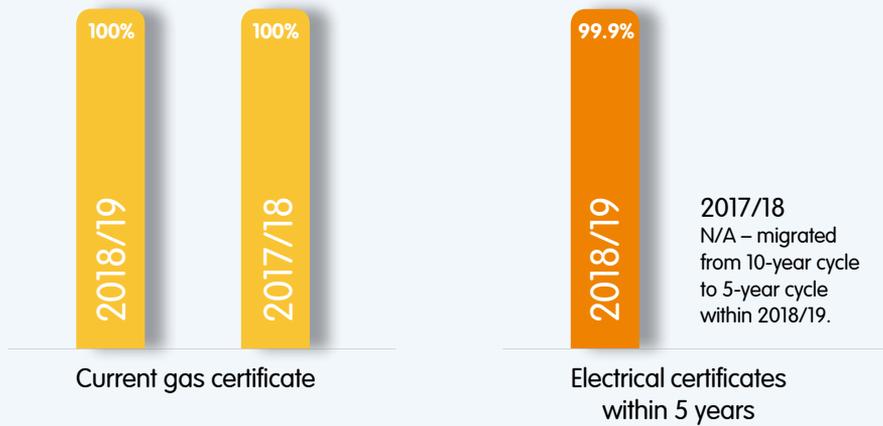
Cyber attack or data release

We recognise that keeping information safe and preventing fraud is very important. We have been actively updating and checking our procedures this year to make sure we meet the requirements of the GDPR, and training our staff so that they know what is expected and what is good practice. We work to maintain our CyberEssentials Plus accreditation to keep our data safe. We have also tightened our procedures in fraud prevention to target phishing attacks.



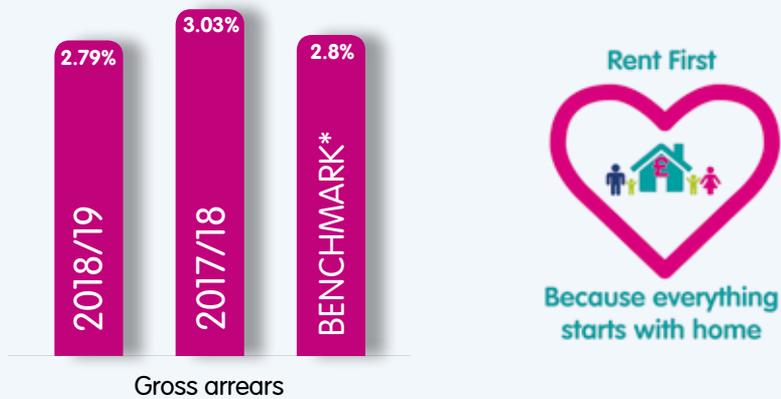
Health and Safety

Any failure that risks the safety of our customers or staff could be catastrophic. Therefore, we make sure we check the major health risks, such as legionella, and safety risks such as gas and electrical. This year the focus has been on bringing electrical testing onto a 5-year cycle.



Non-payment of rent

Universal Credit has now been rolled out across all the areas where we work. Our priority is to make sure tenants know how important it is to pay their rent and to provide support for them with budgeting and with accessing all the benefits to which they are entitled. We regularly run campaigns through our social media sites letting people know what they must do and how we can help.



*Benchmark is the average Housemark 2017/18 value.

We build
homes,
create
communities
and
transform
lives



Increased the number of tenants who are online and using the tenant app



In the 1st year assisted 40 tenants into paid jobs or apprenticeships towards our target of 100 over 2 years



Provided 78 new homes in 2018/19 making 1145 over 2016-2021 towards our target of 1300-1500 over 5 years



Over 70% of tenants agreed that we did what we said we'd do and when we said we'd do it

Increased positive responses from staff



DURING 2018/19:

We had
three
strategic
themes

1 WE MAKE A DIFFERENCE AND DELIVER SERVICE EXCELLENCE
by putting our customers at the heart of everything.

2 WE MAKE A DIFFERENCE AND DELIVER FOR OUR COMMUNITIES
by leaving no stone unturned in tackling poverty, providing opportunities and helping people maintain their tenancies and thrive.

3 WE MAKE A DIFFERENCE AND DELIVER FOR OUR ORGANISATION
by working together in trusting relationships, skilfully managing our resources and embracing modern technology.





Delivering Service Excellence

In delivering service excellence we tailor what we do, responding to customer needs to make sure they can access our services easily as well as providing value and constantly challenging how we do things.

Throughout the year we ask residents how satisfied they are with our services.

For 2018/19 87% replied positively. This was broadly consistent with the 88% who replied positively in 2017/18.

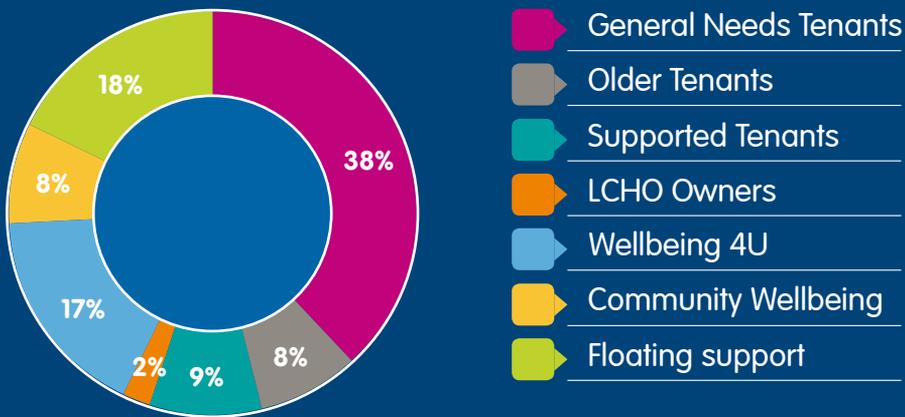
As we worked to better understand our customers this year we developed a suite of customer personas, put together based on interviews with real people. We use them to help us stand in the same place as customers when

we're thinking about changes to services. For example, we used one of them in a recent mapping of the tenant journey onto Universal Credit.



Emma Burgyone, who shared her Universal Credit journey with us

Our customers



Our repairs service is the primary contact with our tenants with nearly 23,000 jobs completed during the year. 2018/19 saw a continuing focus on making sure our homes are safe for people to live in.

We have put in extra resources to bring forward electrical safety checks so that every property has a certificate that is less than five years old. We have completed an inventory of all communal doors and instigated a programme of replacement

for those that do not meet current safety standards. No fire risk assessment was overdue. All our properties except one had a current gas safety certificate at the end of the year, and that one was completed within a day after the year end.

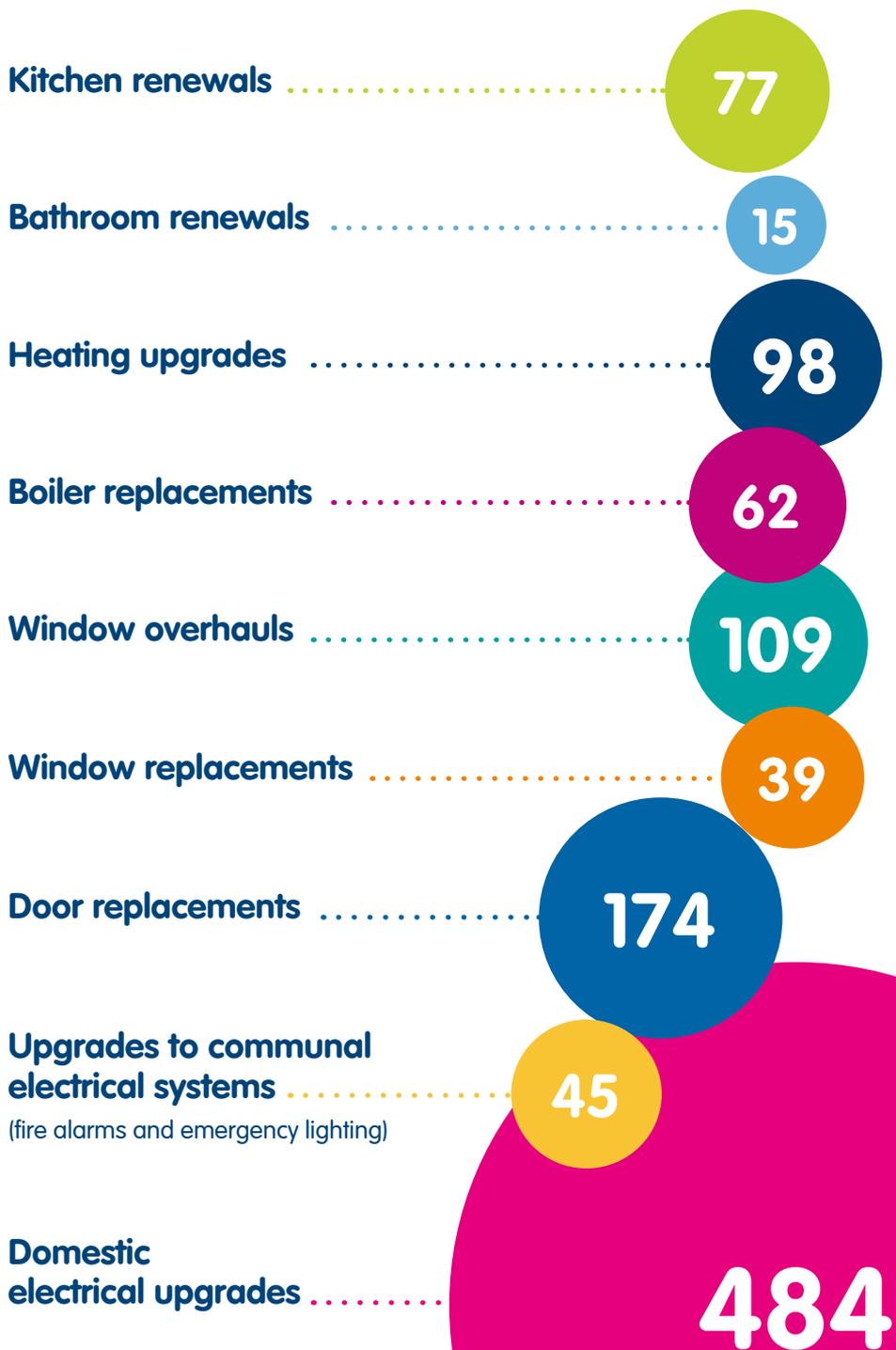


TENANT SATISFACTION WITH A RECENT REPAIR:

90%

(2018: 89%)

We have achieved great results in this year's planned maintenance programme and completed a number of replacements and upgrades:



Case study:

Hoarding

This example from one of our Neighbourhood Officers of how we dealt with a tenant's hoarding problem has helped to inform how we deal with the issue across United Welsh:

The easy option would have been to explore how we could move the tenant on, but this does not sit right with our values or drive to deliver service excellence.

Our Neighbourhood Officer* said;

"I was at the point where a Notice of Seeking Possession was submitted to the tenant, due to property condition. But this did not

"feel" right or do me any favours in communicating with the tenant.

"After a lot of work to rebuild communication and resubmit a referral to a support network, the support worker, myself and a psychology student met for the first time and then arranged to meet with the tenant.

"We met at a coffee shop – away from the property, so the tenant could get to know the student and not feel judged or pressured to open her home to people she had met recently. After this meeting the support worker and the student met with the tenant and the tenant then took the lead and said she was happy to meet with the student.

We encourage all our people to constantly learn from what they do and to share best practice to make sure we are making improvements where we can.

“The student and the tenant had lots in common, both were twins and could relate to a lot of things from their childhood. This over time had a huge positive impact on the tenant.

“The support was such a positive outcome for the tenant that she now has improved the property to such an extent that it is no longer a risk to her or others.

“I learned very quickly that there was no overnight fix to this issue but about a mutual positive outcome and that, in complex cases like this, you don't necessarily know how the tenant is dealing with the situation.

“This experience has informed how we strive to deliver excellence in all our services.”

*Our Neighbourhood Officer is not named to protect the anonymity of our tenant.



Delivering for Our Communities

We have targeted resources this year towards supporting tenants into work or apprenticeships, recognising that this is the best way to support people to maintain their tenancies.

A new team was set up during the year and we were delighted that even with only a part year's resource 40 tenants gained employment, 39 entered training and 16 obtained work placements.

The jobs have been across a range of sectors including construction, hospitality, office work, cleaning and manufacturing.

Many people do not feel confident to enter employment. Alongside interested tenants we have worked in partnership with Cardiff and the Vale College to develop an Employability Skills Course. This was delivered by the college and covered confidence-building, application and interview skills, and language skills.

We were very pleased that eight of the tenants who secured a work placement then went on to secure employment, especially the three who now work within the United Welsh Group.



Referrals to our Money Advice Team continue to increase as the impacts of welfare reform and Universal Credit, in particular, are felt across all our areas of operation.

Nearly 500 people were supported with their financial issues during 2018/19.

We are pleased that our tenants have managed to keep up with their rent

payments so that at the end of the year rents in arrears amounted to only 2.79% of our total rents (2018: 3.03%). Last year we reported that we had devised a campaign "Be Like BOB", BOB:Banking-Online-Budgeting to help tenants visualise what they need to do as Universal Credit is rolled out. We are delighted that the campaign was awarded the Campaign of the Year at the 2019 UK Housing Awards, recognising the hard work of the team and the positive impact the campaign has had for us and our partners.



Proud winner of
**CAMPAIGN
OF THE YEAR**
UK Housing Awards 2019



Our programme for providing new homes continues to deliver.

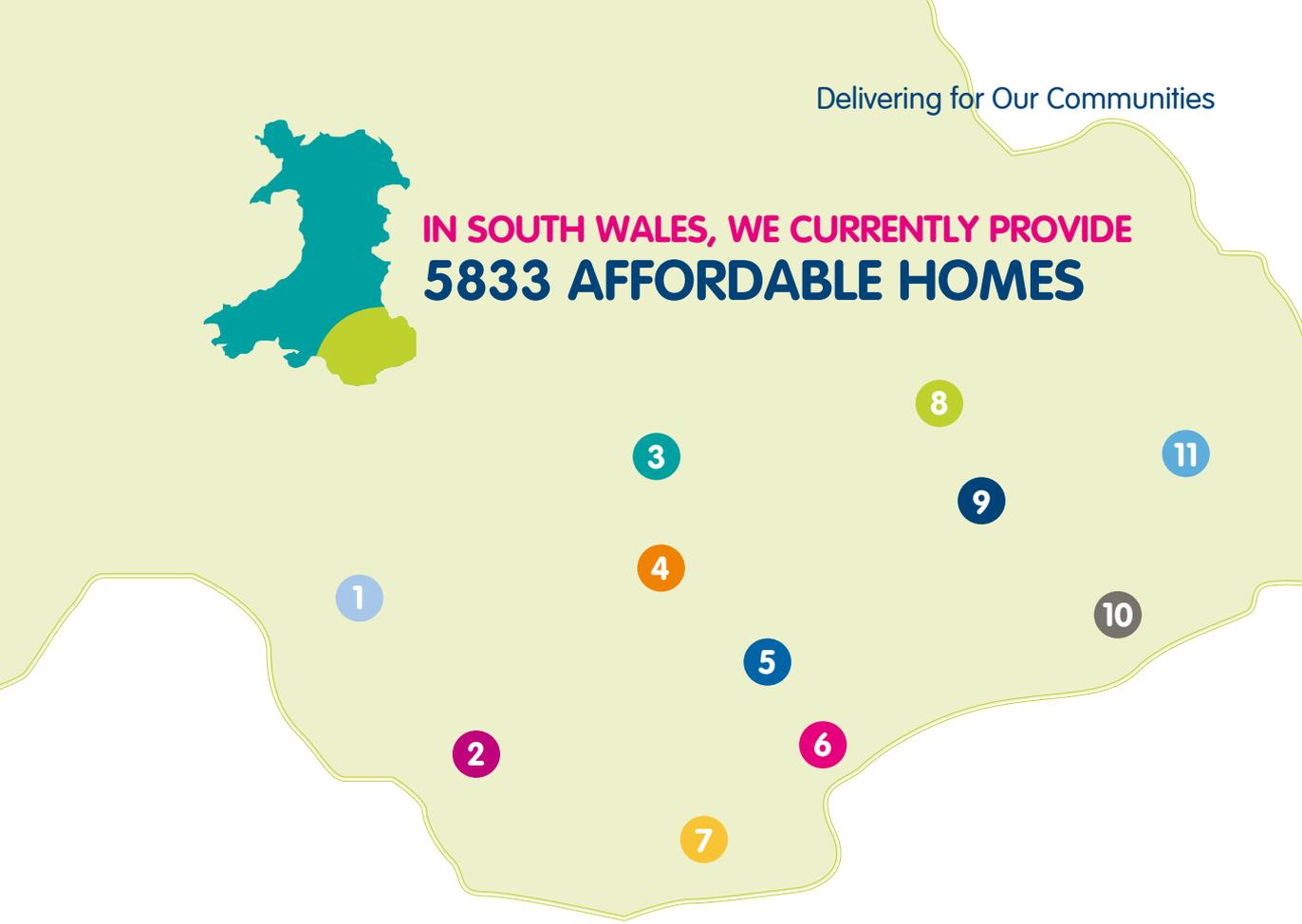
While we completed 79 additional homes this year, compared with over 450 over the previous two-year period, we had 350 properties on site so that the programme going forward looks set to deliver on our ambition with 600 new homes due over the next two years.

The programme also has a focus on designing homes viable for future generations by making the most of current technology to make them energy efficient, easy to construct and provide opportunities for work for local people. One scheme this year had smart boilers installed as a pilot project to test whether that results in better energy use and makes it easier to maintain the boilers.

More
low cost
homes
provided



IN SOUTH WALES, WE CURRENTLY PROVIDE 5833 AFFORDABLE HOMES



1 **NEATH PORT TALBOT**
24 Supported

2 **BRIDGEND**
82 Supported
5 LCHO

3 **MERTHYR TYDFIL**
10 Supported

4 **RHONDDA CYNON TAF**
100 Supported
16 LCHO

5 **CAERPHILLY**
1760 General
246 Older persons
128 Supported
98 LCHO

6 **CARDIFF**
1001 General
193 Older persons
397 Supported
29 LCHO

7 **VALE OF GLAMORGAN**
377 General
43 Supported
50 LCHO

8 **BLAENAU GWENT**
578 General
336 Older persons
68 Supported
17 LCHO

9 **TORFAEN**
67 General
10 Supported

10 **NEWPORT**
105 General
10 Supported
28 LCHO

11 **MONMOUTH**
11 General
44 Older persons

We are pleased to work with partners in the community to improve wellbeing amongst those communities.

The Wellbeing4U service in partnership with local GPs in Cardiff and the Vale continues to support people in making lifestyle changes that enhance their wellbeing. The trend for GPs to refer people to this service is growing demonstrating a greater willingness to look for alternative non-medical solutions for patients. More practices are now using the service which is a further endorsement that social prescribing is becoming widely accepted as a complementary pathway for patients to manage their lifestyles.

The most frequent reason for referral is to improve mental wellbeing for people who are suffering from mild to moderate mental health issues such as anxiety, stress and depression. As well as providing support and signposting people to the appropriate services, United Welsh engages in the Healthful Network, providing community health walks, confidence building programmes, weight management, stress control and bereavement support.

Wellbeing 4U

Participants in our Foodwise Weight Management Programme all saw a reduction in their BMI and all successfully lost weight.

Behavioural changes are a key message throughout the course. 100% of participants reported feeling more satisfied with life in general and that they feel the things they do in life are now more worthwhile.





Reaching out to people in their communities

Our Community Wellbeing programme in partnership with Cardiff Council and other organisations is broader in scope, reaching out to people in their communities.

People self-refer to access support, to improve health and combat isolation and loneliness.

The experiences of the Wellbeing Facilitators, when engaging with people, are that just by having the opportunity to talk to someone about their situation leads many of them to feeling less isolated and hopeful that they can

improve their situation. By understanding the individual's situation, the Wellbeing Facilitator can better involve them in their own recovery and leverage that bridge to the right connections that sustain their engagement.

The team also supports people by introducing them to the various local activities in their community including therapeutic interventions, intergenerational activities and volunteering opportunities.



Participants in courses on confidence building and managing anxiety commented:



I found the sessions really beneficial at a time when my anxiety was particularly difficult. My overall mood and wellbeing have improved greatly and most vitally my health, I have not used alcohol to cope.”



I am feeling more educated and determined to work on overcoming my anxieties, I feel more positive and able to assist my family with their issues too.”



Very informative and easy to follow. It will definitely help me and give me the tools to help my son.”

Each person who engages with the service reports to us on their feeling of wellbeing both at the start and six weeks after completing their engagement.



reported a reduction in their feelings of loneliness.



reported being more satisfied about their lives in general.



reported a reduction in their levels of anxiety.

Case study:

Employment

We have a team of dedicated Employment Mentors who will work alongside people to help them reach their goals.

Paul Highgate got in touch with us and after gaining valuable experience working alongside Celtic Horizons operatives has now been offered a permanent job. Paul, aged 31 who lives in Grangetown, Cardiff said,



I lost my job about three years ago but have always worked and wanted to get back into employment.

“When I moved into my United Welsh flat back in September one of the guys from Celtic Horizons who was working on the flats told me about the job coaches and it sounded like just what I was looking for.

“I got in touch with Danielle and she’s helped me with training courses as well as booking a block of driving lessons for me.

“I was over the moon when I was offered a permanent job with Celtic Horizons. I now want to pass my driving test and once I start working properly take NVQs and work my way up.

One of the areas where we are very keen to add value and make a difference to the communities where we work is by helping our tenants find training, courses or even work experience and apprenticeships.



I feel like things are finally falling into place for me. I would say to anyone that if they have got the drive, to contact the job coaches at United Welsh as they can really help you.”



Delivering for Our Organisation

Trust and working in collaboration are important to us, and this is demonstrated as we seek to develop a progressive culture with our people.

We continue to develop new working practices, for example piloting self-managing teams and making the most of technology to enable us to work flexibly. We are embarking on a redesign of our working environment to one which encourages collaboration and creativity and fits with our plans for the future.

In developing our people, we believe that everyone should

have the opportunity to be the best they can be and have implemented a leadership programme which is open to all employees. So far three cohorts have completed the programme, with more planned. This has helped strengthen networks within the business and generated creative energy as people become more self-aware, understanding what they want to achieve and the impact they can have on our business.



People employed

		2019		2018	
		FT*	PT*	FT*	PT*
Operations	Neighbourhoods	37	5	38	5
	Thrive	57	26	55	15
	Customer engagement	8	1	8	1
	Development	18	2	15	3
		120	34	116	24
Resources	Finance	14	0	14	0
	Digital solutions	10	1	10	0
	People partners	4	1	4	1
	Communications	3	0	4	0
	Partnership and Collaborate	3	1	0	1
		34	3	32	2
Chief Executive	Executive Team	3	0	3	0
	Governance	3	0	2	0
		6	0	5	0
United Welsh		160	37	153	26
Celtic Horizons		138	20	121	29
Total		298	57	274	55
Group		355		329	

*FT Full time / PT Part time



Achieved by United Welsh



Achieved by Celtic Horizons

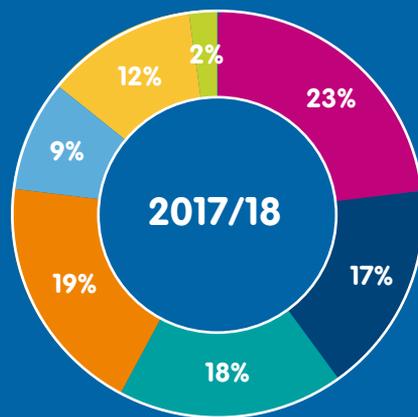
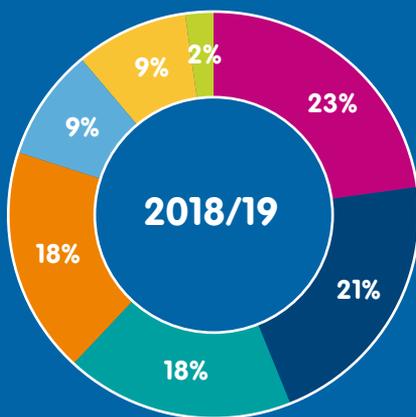
In Celtic Horizons great work is being done to encourage young people to join the repairs and maintenance sector, with a particular focus on women.

Working in partnership with Coleg y Cymoedd and with Careers Wales, Celtic Horizons have between 10 and 15 apprentices on the way to qualification in a range of trades. One initiative seeks to support into training people who may not have the academic qualification

but who have the potential to develop skills. Experienced trades people enjoy being mentors and role models.

We seek to manage our resources skilfully so that we work effectively and provide value to our customers.

How each £ of rent was spent



- Interest on loans
- Management
- Day to day and cyclical maintenance
- Depreciation
- Services
- Add to reserves
- Development administration

We are pleased to report that our financial position continues to be strong, ensuring we continue to develop our services.

More detail on our finances is provided in the Financial Review and the Financial Statements.

Case study:

Making a difference

It's really important that all our people make a difference and deliver for our organisation by working together in trusting relationships, skilfully managing resources and embracing modern technology.

We are continuing to transform the way we work, becoming more flexible and progressive to ensure that not only are we offering the best service we can to our customers but that we are creating a great place to work.

To make sure we are all delivering for the business we take a weekly temperature check asking a simple question and quickly responding to any issues that may be raised. All responses are anonymous to encourage people to be open and honest with their feedback and we are able

to benchmark some questions against similar organisations.

Scores are all out of 10 and typical results are:

8.4

I feel trusted in work
no benchmark

8.8

What I do is worthwhile
benchmark 7.4

9.0

How likely are you to refer someone to work here
benchmark 8

7.5

How happy are you at work
benchmark 7.3

8.6

How do you rate your relationship with your co-workers
benchmark 8.4

As a result of the responses we have changed the way we share information internally to lessen the amount of all staff emails, removed the call masking on our outbound calls so people know its United Welsh ringing and helped each other to gain greater understanding of the main roles of our departments.



Feedback about working here includes:



It is coming up to 2 years at United Welsh. I absolutely love the flexibility. I work very hard and love helping the most vulnerable people in the local community.”



I have been told twice in the last month I have stopped people ending their own lives. I have maximised many tenant’s benefits, have supported tenants to psychiatric assessments, supported to tribunal hearings etc, etc. Supporting the most vulnerable people is very worthwhile.”



The structure of the organisation and the honour

system trusts people to behave with integrity. I am trusted to pursue any ideas new and old as long as they can be seen to be improving the lives of our people which is a great environment to work in.”



The work is worthwhile and it feels as if together we make a difference plus you would be hard pressed to find an employer who treats you as we are treated.”



I have the best team to work with. We are an eclectic bunch but we each bring our own strengths to the work we do and provide the best possible service for our tenants.”



**WE ARE COMMITTED
TO STRONG LEADERSHIP
& ETHICAL STANDARDS**



Governance

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.

One of the ways in which the Board achieves this is by requiring 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 Association is responsible for ensuring that its 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 and assesses annually whether the governance and financial management meet their required standards.

We are pleased to note that in the annual Regulatory Assessment opinion for 2018, issued by the Welsh Government, United Welsh was assessed as 'Standard' for governance and services and 'Standard' in the Financial Viability judgement. Standard is the highest assessment level 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

The Board of United Welsh in previous years comprised up to twelve non-executive members, with potentially up to a further 5 co-opted members. During 2018-19, after discussion facilitated by independent advisers, the Board changed its structure to include three members of the Executive Team as co-opted members.

At the same time, the Board agreed that non-executive board members would be remunerated (effective from 1 September 2018). 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. These decisions were taken after careful consideration of the future business requirements for leading the Group, including the importance of being able to recruit suitable new Board members, so that the long-term success of the

Group may be assured. The views of tenants and shareholders were part of this consideration.

As a result, there were 14 members of the Board at the end of March 2019 (11 non-executives and 3 executives), which the Board acknowledges is higher than the recommended level. The Board has agreed to transition to its preferred membership number of 12, including co-optees, through its normal cycle of resignations as current Board members reach their maximum terms. 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.

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.

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.

The only significant departure from the NHF Code is on Board size and co-opted members, whereby currently the Board is larger than that recommended. However as explained above the aim is to reduce the Board size over time.

Application of the CHC Code is considered annually by the Remuneration & Governance Committee, identifying areas for improvement. In the coming year, we will be focusing on how the tenant voice is heard, values-checking in decision-making and clarifying what information and preparation is required before a board meeting.

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 each consist usually of four Directors 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 Executive Team attends 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 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

The primary discussion as to the future effectiveness of the Board this year was around the remuneration and the structure of the Board itself.

However the Board also considered the following:

- Composition, skills and experience of the Board and its members
- Performance of the Board
- How the Association applies or complies with Codes of Governance
- Governance Improvement Plan
- Board members Code of Conduct, including how conflicts of interest are dealt with
- Composition of the Celtic Horizons Ltd board of directors and the Harmoni Homes Ltd board of directors.

The Board's review of its own composition concluded that the Board continues to have 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. 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.

The Board of United Welsh



Grahame Sturges

Chair, since July 2016.
Member since 2012. Director Celtic Horizons Ltd. Director Harmoni Homes Ltd. Retired housing manager.



Kathryn Bergmanski

Vice Chair and Chair of Remuneration & Governance Committee.
Member since 2010. Former director of nursing and health strategy advisor.



Bart Geere

Chair of Audit & Risk Committee.
Member since 2016. Head of Process Architecture and Regulatory Reporting at a building society.



Antoine Azangisa

Member since 2016.
Carer for people with mental health issues and translator. United Welsh tenant.



Jeremy Brown

Co-opted member since 2017. Appointed Sept 2018. Managing director of a charity that owns and runs care homes.



Damian Williams

Member since 2014.
Financial Director. Chartered certified accountant.



Joanne Jones

Member since 2017.
Chartered Accountant working in a commercial healthcare company.



Emma Tamplin

Member since 2016.
Collaboration Partner for a charity promoting gender equality. Member of the Chartered Institute of Personnel and Development.



Phill Stokes

Member since 2015.
Chair of Celtic Horizons Ltd. Director Harmoni Homes Ltd. Construction and housing consultant. Member of the Chartered Institute of Building



Alan Meudell

Member since 2011.
Information and research officer (mental health and disability).



Gail Williams

Member since 2015.
Retired manager with particular interest in disability issues.



Lynda Sagona

Co-opted 1 September 2018.
Group Chief Executive.



Richard Mann

Co-opted 1 September 2018. Deputy Chief Executive and Group Director Operations.



Neil Chidgey

Co-opted 1 May 2019.
Group Director Finance.

The Executive Team



**Lynda
Sagona**

Group Chief Executive (Appointed 2016)
Previously Director of Housing and Communities
at United Welsh (appointed 2009). Member of the
Royal Institution of Chartered Surveyors.
Director of Harmoni Homes Ltd.



**Richard
Mann**

Deputy Chief Executive and Group Director
Operations (Appointed 2005)
Member of the Royal Institution of Chartered
Surveyors. Director of Celtic Horizons Ltd.



**Neil
Chidgey**

Group Director Finance (Appointed May 2019)
FCIMA. Previously Commercial Director
Celtic Horizons.



**Huw
Davies**

Director Resources (Appointed May 2019)
Previously Head of Digital Solutions at
United Welsh.

Committee Membership

Audit & Risk Committee

Bart Geere
Phill Stokes
Grahame Sturges
Damian Williams
Gail Williams

Remuneration & Governance Committee

Kath Bergmanski
Alan Meudell
Grahame Sturges
Emma Tamplin

Board members who have resigned:

Gareth Hexter (co-opted 1 September 2018; retired 30 April 2019). Retired as Group Director Resources at the end of April 2019. He also resigned as a Director of Celtic Horizons Ltd and Harmoni Homes Ltd.

Advisers

Secretary Nia Roblin
Registered office Y Borth, 13 Beddau Way, Caerphilly, CF83 2AX*
Registered auditor KPMG LLP, 3 Assembly Square, Britannia Quay, Cardiff, CF10 4AX
Bankers Lloyds Bank plc, 25 Gresham Street, London, EC2V 7HN

*This is also the registered address for Celtic Horizons Ltd and Harmoni Homes Ltd.

Board Report

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

The Group

The results for the year ended 31 March 2019 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 11 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 2018 to 27 June 2019.

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;
- 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 Barcud Shared Services for the year ended 31 March 2019.

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

The Board is responsible for preparing the Strategic Report, the Board 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.
- 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 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
27 June 2019

Financial Review

For the year ended 31 March 2019

The Group made a total surplus of £3.9m (2018 - £5.9m) for the year to 31 March 2019. Turnover increased by 1.4% to £36.4m (2018 - £35.9m) and operating costs in the same period rose by 4.2% to £24.6m (2018 - £23.6m). Interest and financing costs increased by 10.4% to £8.5m (2018 - £7.7m).

GROUP REVENUE	2019 £'000	2018 £'000
Social lettings	27,262	25,790
Service charges	3,663	3,173
Amortised grant	2,055	1,987
Revenue grant	1,405	1,311
Non-social lettings	462	472
Other activities	1,553	3,164
TOTAL TURNOVER	36,400	35,897

GROUP OPERATING COSTS	2019 £'000	2018 £'000
Management costs	6,905	5,708
Service costs	3,057	2,984
Depreciation	6,307	6,125
Development administration	678	645
Day to day maintenance	6,620	5,688
Other activity operating costs	1,077	2,419
TOTAL OPERATING COSTS	24,644	23,569

The increase in social lettings reflects the average annual increase in rents of 3.5% plus additional rent of £0.6m from new properties. Revenue grant has increased due to the successful tenders to deliver new Wellbeing (social prescribing) Schemes and associated costs are included in management costs.

Management costs have increased due to an investment in additional staff and information technology.

Day to day maintenance costs have increased by 16.4% due to increased unit numbers and additional fire compliance and electrical testing works. In particular, the Association has moved from electrical testing every 10 years to a best practice standard of every 5 years.

Other activities in 2018 included development income relating to the Watford Road development.

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 £3.7m on major repairs to existing properties (2018 - £3.5m) and spent £6.6m (2018 - £5.7m) 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 2018/19 the Group spent £18.4m (2018 - £20.5m) on acquisition and development of social housing and received grant totalling £15m (2018 - £17.5m). The grant received includes S106 subsidy of £1.6m (2018 - £7.8m) to support this expenditure. At the end of the year the Group's capital commitments in respect of new developments amounted to £26.3m, which will be funded by a combination of public subsidy and private finance.

At the end of the year the Group had 5,879 properties under management as set out in note 12c to the financial statements.

Capital structure

Tangible fixed assets are financed as follows:

	2019	2018
Social Housing Grant (SHG) and other grants	52%	51%
Private finance	41%	42%
Reserves	7%	7%

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 £54.7m (2018- £29.7m). The average monthly cash balance held during the year was £54.2m. Loans at the end of the year totalled £211.3m (2018 - £213.1m).

Social Housing Defined Benefit Pension Scheme

The accounting basis for the Social Housing Defined Benefit Pension Scheme changed from 1 April 2018. The effect of this change is to charge against reserves, the full amount of the estimated pension scheme net liability, rather than the Group's obligation under the trustees' deficit recovery plan. The Group's share of the pension scheme net liability as at 31 March 2019 is £5.8m, leading to a charge to comprehensive income in the year of £3.3m (£2.6m adjustment to the opening liability and £0.8m in respect of new actuarial losses during the year).

FREE CASH FLOW STATEMENT	2019 Group £'000	2019 Association £'000	2018 Group £'000	2018 Association £'000
Net cash generated from operating activities	15,084	14,711	18,599	18,320
Interest paid	(8,649)	(8,649)	(7,843)	(7,843)
Interest received	678	678	314	390
Adjustments for reinvestment in existing properties:				
Component replacements	(3,673)	(3,673)	(3,525)	(3,525)
Purchase of other replacement fixed assets	(1,032)	(1,032)	(762)	(762)
	(12,676)	(12,676)	(11,816)	(11,740)
Free cash generated before loan repayments	2,408	2,035	6,783	6,580
Loans repaid	(1,876)	(1,876)	(2,695)	(2,695)
Free cash generated after loan repayments	532	159	4,088	3,885

GROUP FINANCIAL SUMMARY	2019 £'000	2018 £'000	2017 £'000
Statement of comprehensive income			
Turnover	36,400	35,897	31,343
Operating surplus	11,756	12,328	11,316
Surplus for the year	3,904	5,905	4,020
Statement of financial position			
Property, plant and equipment	459,998	440,891	421,244
Investment properties	590	675	1,325
Investments	12,421	11,073	9,976
Net current assets	58,762	66,258	36,871
Creditors falling due after more than one year	(216,996)	(220,700)	(192,047)
Defined Benefit Pension Liability	(5,773)	(2,287)	(2,713)
Social Housing Grant and other grants	(272,002)	(259,498)	(244,149)
Share capital and reserves	37,000	36,412	30,507

**GROUP FINANCIAL
PERFORMANCE INDICATORS**

	2019	2018	2017
Operating surplus as % of turnover	32%	34%	36%
Surplus as % of turnover	11%	16%	13%
Rental income loss from empty properties	1.3%	1.1%	1.2%
Uncollected rent as % of rental income	1.0%	1.0%	1.1%
EBITDA* as % debt	6%	6%	6%
Net capital expenditure as % of turnover	74%	82%	114%
Gearing	66%	67%	66%
Interest cover	145%	153%	159%
Net additional properties	71	158	279

*Earnings before interest, tax, depreciation and amortisation.

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. The Group has general reserves at the year-end of £37.0m (2018 – £36.4m).

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.

Reserves have only increased slightly this year due to the additional charges to other comprehensive income as a result of the change in basis of accounting for the Social Housing (defined benefit) Pension Scheme.



OUR FINANCIAL STRENGTH SUPPORTS OUR WORK



Independent auditor's report to United Welsh Housing Association

We have audited the financial statements of United Welsh Housing Association ("the Association") for the year ended 31 March 2019 which comprise the statements of comprehensive income, statements of changes in reserves, statements of financial position, statements of cash flow 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 2019 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 properly 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.

Brexit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess the challenge and reasonableness of estimates made by directors, such as the valuation of the social housing pension scheme deficit and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group and Association's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group and Association's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Going concern (continued)

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Association will continue in operation.

Other information

The Association's Board are responsible for the other information, which comprises the strategic report and the Board report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or 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.

Opinion on other matters prescribed by the Housing Association Circular 02/10 Internal Controls and Reporting ("the Circular")

In our opinion the Statement on Internal Controls on page 51:

- provides the disclosures required by the Circular; 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 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 more fully explained in their statement set out on page 52 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Victoria Sewell
for and on behalf of **KPMG LLP,**
Statutory Auditor
Chartered Accountants

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

3 July 2019

Statements of comprehensive income for the year ended 31 March 2019

	Notes	2019 Group £'000	2019 Association £'000	2018 Group £'000	2018 Association £'000
Turnover	3	36,400	35,429	35,897	33,207
Operating costs	3	(24,644)	(24,150)	(23,569)	(21,626)
Operating surplus		11,756	11,279	11,279	11,581
Gain on disposal of property, plant and equipment		40	40	985	985
Interest receivable		678	678	307	307
Interest and financing costs	10	(8,484)	(8,484)	(7,714)	(7,714)
Movement in fair value of investment properties	13	(85)	(85)	-	-
Gift aid from subsidiary		-	502	-	691
Surplus before tax		3,905	3,930	5,906	5,933
Tax on surplus	11	(1)	-	(1)	-
Surplus for the year		3,904	3,930	5,905	5,933
Other comprehensive income					
SHPS DB opening balance adjustment	31	(2,562)	(2,562)	-	-
Actuarial (loss)/gain in respect of defined benefit pension scheme	30	(754)	(754)	-	-
Total comprehensive income for the year		588	614	5,905	5,933
Statements of changes in reserves					
		2019		2018	
		Group Total Reserves £'000	Association Total Reserves £'000	Group Total Reserves £'000	Association Total Reserves £'000
Balance at beginning of year		36,412	36,601	30,507	30,668
Surplus from Statement of Comprehensive Income		588	614	5,905	5,933
Balance at end of year		37,000	37,215	36,412	36,601

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

Statements of financial position as at 31 March 2019

	Notes	2019 Group £'000	2019 Association £'000	2018 Group £'000	2018 Association £'000
Fixed assets					
Housing properties	12a	443,619	443,778	424,933	425,062
Other property, plant and equipment	12b	16,379	13,353	15,958	12,762
Investment properties	13	590	590	675	675
		460,588	457,721	441,566	438,499
Investments: Homebuy and LCHO loans receivable	14	10,379	10,379	10,324	10,324
Investments: Other	15	2,042	2,042	749	749
		12,421	12,421	11,073	11,073
Current assets					
Debtors: amounts falling due within one year	16	2,929	3,414	38,193	38,801
Debtors: amounts falling due after one year	16	12,947	16,395	11,144	14,711
		15,876	19,809	49,337	53,512
Stock	17	837	837	2,153	1,605
Cash and cash equivalents		54,665	53,568	29,661	28,968
		71,378	74,214	81,151	84,085
Creditors: amounts falling due within one year	18	(12,616)	(12,378)	(14,893)	(14,578)
Net current assets		58,762	61,836	66,258	69,507
Total assets less current liabilities		531,771	531,978	518,897	519,079
Creditors: amounts falling due after more than one year	19	(488,990)	(488,990)	(482,478)	(482,478)
Provisions for liabilities and charges	11	(8)	-	(7)	-
Defined benefit pension liability	30	(5,773)	(5,773)	-	-
Net assets		37,000	37,215	36,412	36,601
Capital and reserves					
Share capital	24	-	-	-	-
Reserves		37,000	37,215	36,412	36,601
		37,000	37,215	36,412	36,601

The financial statements were approved by the Board on 27 June 2019 and signed on its behalf by:

G Sturges
Chair

B Geere
Chair of Audit & Risk Committee

The notes on pages 70 to 99 form part of these financial statements.

Statements of Cash Flows for the year ending 31 March 2019

	2019 Group £'000	2019 Association £'000	2018 Group £'000	2018 Association £'000
Cashflow from operating activities				
Surplus for the year	3,904	3,930	5,905	5,933
Adjustment for non-cash items:				
Depreciation	6,015	5,845	5,915	5,745
Amortisation	(2,055)	(2,055)	(1,987)	(1,987)
Movement in fair value of investment properties	85	85	-	-
(Increase)/decrease in debtors	819	1,061	(212)	161
Increase/(decrease) in creditors	(1,762)	(1,685)	2,377	2,286
Decrease/(increase) in stock	548	-	656	314
Difference between pension costs charged in operating surplus and pension cashflows	(236)	(236)	(474)	(474)
Profit on disposal of fixed assets	(40)	(40)	(985)	(985)
Interest payable	8,484	8,484	7,714	7,714
Interest receivable	(678)	(678)	(310)	(387)
Cash inflow from operations	15,084	14,711	18,599	18,320
Cashflows from investing activities				
Finance income received	678	678	314	390
Proceeds from sale of property, plant and equipment	40	40	1,635	1,635
Purchase of property, plant and equipment	(17,973)	(18,004)	(14,618)	(14,650)
Component replacements to existing properties	(3,673)	(3,673)	(3,525)	(3,525)
Purchaser's equity in properties held for sale	768	768	1,614	1,614
Government grants received	13,278	13,278	8,070	8,070
Net acquisition of financial asset investments	(86)	(86)	(2,419)	(2,419)
Net cash outflow from investing activities	(6,968)	(6,999)	(8,929)	(8,885)
Net cash outflow before financing activities	8,116	7,712	9,670	9,435

Statements of Cash Flows for the year ending 31 March 2019

	2019 Group £'000	2019 Association £'000	2018 Group £'000	2018 Association £'000
Cashflows from financing activities				
Finance costs paid	(8,649)	(8,649)	(7,843)	(7,843)
Other government funding	(4,487)	(4,487)	(847)	(847)
New loans	31,900	31,900	(214)	(214)
Repayment of borrowings	(1,876)	(1,876)	(2,695)	(2,695)
Net cash inflow/(outflow) from financing activities	16,888	16,888	(11,599)	(11,599)
Net increase in cash and cash equivalents	25,004	24,600	(1,929)	(2,164)
Cash and cash equivalents at the beginning of the year	29,661	28,968	31,590	31,132
Cash and cash equivalents at the end of the year	54,665	53,568	29,661	28,968

Notes to the consolidated financial statements

for the year ended 31 March 2019

1. Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Social Landlord. 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 Practice for Social Housing Providers 2014 (SORP 2014) 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, other than a change in the treatment of the Group's participation in the Social Housing Defined Benefit Pension Scheme (see below).

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 2019. The purchase method of accounting has been adopted.

Going concern

After reviewing the Group's forecasts and projections, the Board have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Critical accounting estimates

The preparation of the financial statements requires management to make estimates 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 (note 13).

Defined benefit pension liability

A change to the basis of accounting for the Social Housing (defined benefit) Pension Scheme means that the Group's share of the estimated pension fund net liability, rather than the Group's obligation under the scheme trustees' deficit recovery plan now appears on the Statement of Financial Position.

Details of the effect of this change appears in note 31.

Critical accounting judgements

Management make certain judgements that may affect estimates used.

The UK's proposed departure from the European Union

The Group has considered the risks to our activities potentially arising from the UK's planned departure from the European Union. This risk assessment has considered how both orderly and disorderly exit scenarios could affect 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 from a disorderly exit and loss of access to EIB sourced finance.

As a result of this review, the Board judges that sufficiently robust contingency arrangements are in place to ensure that a UK departure from the European Union will have little immediate impact on the Group's 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. 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 21).

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 22 and 23).

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.

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.

Stock

For low cost home ownership (LCHO) properties, stock represents the value of the purchaser's equity share in completed properties.

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

(a) Residential Buildings: Lives:	
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

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 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 subsidiaries

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.

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

The accounting basis for the Social Housing Defined Benefit Pension Scheme changed from 1 April 2018 (see note 31).

New employees are eligible to join the Social Housing Defined Contribution Scheme, managed by The Pensions Trust.

Previously, the Group's employees have been eligible to join the Social Housing Pension Scheme (SHPS) which is a defined benefit, final salary, scheme. This scheme is now closed to new members, however, benefits continue to accrue in respect of employees who were members at the date the scheme closed to new members.

The Group's share of assets and liabilities in respect of the Social Housing Pension Scheme is 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 30, 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 the 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.

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 and Harmoni Homes Ltd, and other members of the Group have not been separately disclosed in these financial statements.

3. Turnover, operating costs and operating surplus

GROUP	2019			2018		
Social Housing	Turnover £'000 (note 4)	Operating costs £'000 (note 5)	Operating surplus £'000	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	34,385	(23,567)	10,818	32,261	(21,150)	11,111
TOTAL	34,385	(23,567)	10,818	32,261	(21,150)	11,111
Non social housing activities						
Lettings	462	(141)	321	472	(91)	381
Other activities	1,553	(936)	617	3,164	(2,328)	836
TOTAL	36,400	(24,644)	11,756	35,897	(23,569)	12,328

ASSOCIATION	2019			2018		
Social Housing	Turnover £'000 (note 4)	Operating costs £'000 (note 5)	Operating surplus £'000	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	34,385	(23,705)	10,680	32,261	(21,332)	10,929
TOTAL	34,385	(23,705)	10,680	32,261	(21,332)	10,929
Non social housing activities						
Lettings	462	(141)	321	472	(91)	381
Other activities	582	(304)	278	474	(203)	271
TOTAL	35,429	(24,150)	11,279	33,207	(21,626)	11,581

4. Group and Association - income from social housing lettings

TURNOVER	General needs housing £'000	Supported housing £'000	2019	2018
			Total £'000	Total £'000
Rents receivable net of voids	22,962	4,300	27,262	25,790
Service charge income	2,649	1,014	3,663	3,173
Amortisation of Social Housing Grant and other grants	1,666	389	2,055	1,987
Grant receivable	-	1,405	1,405	1,311
Turnover from social housing lettings	27,277	7,108	34,385	32,261
Rent losses from voids (memorandum note)	(286)	(111)	(397)	(333)

5. Expenditure on social housing lettings

GROUP	General needs housing £'000	Supported housing £'000	2019	2018
			Total £'000	Total £'000
Management costs	3,104	3,551	6,655	5,503
Service charge costs	2,287	770	3,057	2,984
Development administration	485	193	678	645
Depreciation	5,414	893	6,307	6,125
Rent losses from bad debts	192	58	250	205
Day to day maintenance and cyclical repairs	5,239	1,381	6,620	5,688
Operating costs on social housing lettings	16,721	6,846	23,567	21,150
Operating surplus on social housing lettings	10,556	262	10,818	11,111

5. Expenditure on social housing lettings (continued)

ASSOCIATION	General needs housing £'000	Supported housing £'000	2019	2018
			Total £'000	Total £'000
Management costs	3,104	3,551	6,655	5,503
Service costs	2,287	770	3,057	2,984
Development administration	561	193	754	755
Depreciation	5,414	893	6,307	6,125
Rent losses from bad debts	192	58	250	205
Day to day maintenance and cyclical repairs	5,301	1,381	6,682	5,760
Operating costs on social housing lettings	16,859	6,846	23,705	21,332
Operating surplus on social housing lettings	10,418	262	10,680	10,929

During the year £3.6m of major repairs expenditure was capitalised (2018 - £3.5m).

6. Auditor's Remuneration

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Audit of financial statements	33	27	30	24
Tax advisory fees	25	25	20	10
	58	52	50	34

7. Group and Association - key management personnel

The remuneration paid to the senior executives was:	2019 £'000	2018 £'000
Emoluments (including pension contributions and benefits in kind)	382	362
Emoluments (excluding pension contributions) paid to the highest paid senior employee	136	126

Total remuneration of £31,000 was paid to non-employee members of the Board during the year (2018 - £Nil). The emoluments of non-employee Board members and senior employees, including pension contributions, were in the following ranges:

	2019 No.	2018 No.
£Nil	-	11
£1 - £90,000	11	-
£90,001 - £100,000	-	-
£100,001 - £110,000	-	-
£110,001 - £120,000	2	2
£120,001 - £130,000	-	-
£130,001 - £140,000	-	1
£140,001 - £150,000	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 £12,946.

8. Interests and related party transactions

During the year the Association provided rented accommodation to one Board member who was a tenant of the Association and charged rent to that member on the Association's standard terms. Board members who are tenants are unable to use their position to their advantage. The Association also entered into transactions with The Pensions Trust (TPT) in respect of the pension schemes offered to employees. Details of such transactions are included in Note 30.

9. Employees and employee costs

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Wages and salaries	8,749	5,386	8,313	4,950
Social security costs	812	510	769	467
Pension costs	467	450	252	235
	10,028	6,346	9,334	5,652

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 labour associated with the delivery of the responsive, cyclical and planned maintenance service to United Welsh in partnership with Mears.

	2019		2018	
	Group No.	Association No.	Group No.	Association No.
The average monthly number of staff (full time equivalent) during the year	327	178	310	168
The actual number of staff at end of year	355	197	329	179

10. Group and Association - interest payable and similar charges

	2019 £'000	2018 £'000
On loans repayable by instalments	3,606	3,604
On loans repayable other than by instalments	4,877	4,187
Capitalised interest	(130)	(115)
Finance charge in respect of the pension deficit	131	38
	8,484	7,714

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 below:

a) Analysis of the tax charge	2019 Group £'000	2018 Group £'000
Current tax - UK Corporation tax on profit	-	-
Deferred tax - Deferred tax charge	1	1
	1	1

b) Deferred tax

Provided and unprovided deferred tax comprises the following:	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Losses	-	-	-	-
Fixed asset timing differences	8	-	7	-
Other short term timing differences	-	-	-	-
Balance at end of year	8	-	7	-

Reconciliation of effective tax rate	2019 Group £'000	2018 Group £'000
Surplus before taxation	3,905	5,906
Effects of:		
Tax using the UK corporation tax rate of 19% (2018:19%)	(748)	(1,128)
Non-taxable surpluses (due to charitable status)	652	996
Gift aid relief	95	131
Tax on surplus	(1)	(1)

Reductions in the UK corporation tax rate from 20% (effective from 1 April 2015) to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future tax charge accordingly. The deferred tax liability at 31 March 2019 has been calculated based on these rates.

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	437,172	21,303	458,475
Transferred on completion	13,219	(13,219)	-
Additions during the year	6,050	18,403	24,453
Disposals during the year	-	-	-
Components replaced	(363)	-	(363)
At end of year	456,078	26,487	482,565
Depreciation			
At beginning of year	33,542	-	33,542
Charge for the year	5,767	-	5,767
Disposals during the year	-	-	-
Components replaced	(363)	-	(363)
At end of year	38,946	-	38,946
Net book value			
At end of year	417,132	26,487	443,619
At beginning of year	403,630	21,303	424,933

12a. Housing properties

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	437,301	21,303	458,604
Transferred on completion	13,219	(13,219)	-
Additions during the year	6,080	18,403	24,483
Components replaced	(363)	-	(363)
At end of year	456,237	26,487	482,724
Depreciation			
At beginning of year	33,542	-	33,542
Charge for the year	5,767	-	5,767
Components replaced	(363)	-	(363)
At end of year	38,946	-	38,946
Net book value			
At end of year	417,291	26,487	443,778
At beginning of year	403,759	21,303	425,062

Land and buildings includes land with a carrying value of £83m. The additions under housing properties held for letting comprise improvements to existing properties of £6.0m (2018 - £4.6m) and includes replacement of components of £3.7m (2018 - £3.5m).

12b. Other property, plant and equipment

GROUP	Non-housing properties £'000	Scheme equipment £'000	Photovoltaic panels £'000	Vehicles & office equipment £'000	2019 Total £'000
Cost or Valuation					
At beginning of year	11,424	4,096	4,329	1,743	21,592
Additions during the year	53	754	-	300	1,107
Disposals during the year	(11)	(49)	-	(15)	(75)
At end of year	11,466	4,801	4,329	2,028	22,624
Depreciation					
At beginning of year	1,326	1,833	1,072	1,403	5,634
Charge for the year	140	259	174	101	674
Disposals during the year	(14)	(34)	-	(15)	(63)
At end of year	1,452	2,058	1,246	1,489	6,245
Net book value					
At end of year	10,014	2,743	3,083	539	16,379
At beginning of year	10,098	2,263	3,257	340	15,958

12b. Other property, plant and equipment

ASSOCIATION	Non-housing properties £'000	Scheme equipment £'000	Photovoltaic panels £'000	Vehicles & office equipment £'000	2019 Total £'000
Cost or Valuation					
At beginning of year	11,424	4,096	76	1,743	17,339
Additions during the year	53	754	-	300	1,107
Disposals during the year	(11)	(49)	-	(15)	(75)
At end of year	11,466	4,801	76	2,028	18,371
Depreciation					
At beginning of year	1,326	1,833	15	1,403	4,577
Charge for the year	140	259	4	101	504
Disposals during the year	(14)	(34)	-	(15)	(63)
At end of year	1,452	2,058	19	1,489	5,018
Net book value					
At end of year	10,014	2,743	57	539	13,353
At beginning of year	10,098	2,263	61	340	12,762

12c. Housing and other properties

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Properties at cost:				
Freehold	441,870	441,999	423,238	423,367
Long leasehold	9,050	9,050	9,050	9,050
Short leasehold	2,743	2,743	2,743	2,743
	453,663	453,792	435,031	435,160
Represented by:				
Social housing properties	443,619	443,778	424,933	425,062
Non-housing properties	10,014	10,014	10,098	10,099
	453,633	453,792	435,031	435,161
			2019 No.	2018 No.
Properties owned and managed				
General needs housing properties in management			4,709	4,630
Supported housing bed spaces - agency managed			740	751
Supported housing bed spaces - directly managed			132	126
Homebuy/LCHO			243	236
Other properties			55	65
			5,879	5,808

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

13. Group and Association: Investment properties

	2019 £'000
At beginning of year	675
Movement in fair value	(85)
At end of year	590

The existing freehold investment properties were valued by an independent valuer with a recognised and relevant professional qualification in March 2019.

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

	2019		
COST	Homebuy £'000	LCHO £'000	Total £'000
At beginning of year	1,504	8,820	10,324
Additions during the year	-	498	498
Disposals during the year	(90)	(353)	(443)
At end of year	1,414	8,965	10,379

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

	2019 £'000	2018 £'000
Value of Gilt	2,042	749

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.

16. Debtors

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Arrears of tenant rent and service charges	1,503	1,503	1,315	1,315
Provision for bad and doubtful debts	(1,181)	(1,181)	(1,038)	(1,038)
	322	322	277	277
Other rental debtors	276	276	262	262
Other debtors and prepayments	1,037	771	35,086	34,757
Loans under the Empty Homes Initiative	73	73	131	131
Housing Finance Grant	13,195	13,195	11,346	11,346
Interest reserve fund cash deposit	973	973	2,235	2,235
Intercompany account	-	632	-	824
Finance lease contracts	-	3,567	-	3,680
	15,876	19,809	49,337	53,512
Amounts falling due after one year included above:				
Housing Finance Grant	12,947	12,947	11,144	11,144
Finance lease contracts	-	3,448	-	3,567
	12,947	16,395	11,144	14,711

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 £248,000 is due within one year and £12.9m 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 £228,000 (2018 - £234,000). The investment in lease contracts in the Association includes £3.6m (2018 - £3.7m) of which £119,000 is due within one year and £3.5m is receivable in over one year. These assets are leased to the Association's subsidiary Celtic Horizons Ltd.

17. Stock

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
LCHO held for sale	837	837	1,605	1,605
Properties held for sale	-	-	548	-
	837	837	2,153	1,605

18. Creditors: amounts falling due within one year

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Maintenance and other supplies	1,176	1,071	984	1,003
Capital expenditure on housing properties	2,517	2,384	2,266	1,932
Housing loans (note 20)	2,064	2,064	1,810	1,810
Social Housing Grant and other grants (note 21)	2,070	2,070	1,999	1,999
Other government funding	1,255	1,255	3,157	3,157
Pension scheme deficit recovery plan	3	3	426	426
Accruals and deferred income	1,942	1,910	2,036	2,036
Prepayments of rents and service charges	606	606	554	554
Recycled Capital Grant fund (note 22)	439	439	312	312
Disposal Proceeds Fund (note 23)	280	280	175	175
Other capital creditors	123	123	1,051	1,051
Tax and social security	141	141	123	123
	12,616	12,346	14,893	14,578

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

	2019 £'000	2018 £'000
Housing loans (note 20)	207,039	209,321
Social Housing Grant and other grants (note 21)	272,002	259,498
Other government funding	-	1,255
Pension scheme deficit recovery plan	17	2,287
Recycled Capital Grant fund (note 22)	459	196
Disposal Proceeds Fund (note 23)	-	105
Other long term creditor	833	809
Deferred creditor	8,640	9,007
	488,990	482,478

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

20. Group and Association - housing loans

	2019 £'000	2018 £'000
Loans repayable by instalments fall due as follows:		
In five years or more	90,680	95,333
Between two and five years	8,896	7,247
Between one and two years	2,993	2,193
	102,569	104,773
In one year or less	2,211	1,882
	104,780	106,655
Loans repayable other than by instalments fall due as follows:		
In five years or more	99,500	99,500
Between two and five years	7,000	7,000
	106,500	106,500
Total housing loans	211,280	213,155
Amortised costs due within one year	(147)	(72)
Amortised costs due after one year	(2,030)	(1,952)
Total net loans	209,103	211,131

The interest rates are between 1.96% and 11.21% for fixed rate loans and between 0.25% and 2.00% (plus 3 Month LIBOR) for variable rate loans.

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

	2019 £'000	2018 £'000
At beginning of year	261,497	246,048
Grant amortised during the year	(2,055)	(1,987)
Grant receivable	15,020	17,505
Grant transferred to Recycled Grant Fund (Note 22)	(390)	(69)
At end of year	274,072	261,497
Amount due within one year (Note 18)	2,070	1,999
Amount due after one year (Note 19)	272,002	259,498
At end of year	274,072	261,497

Total Social Housing Grant received to date is £288,858,000 (2018 – £273,838,000).

22. Group and Association - Recycled Capital Grant Fund

	2019	2018
	£'000	£'000
At beginning of year	508	439
Grant recycled in the year (Note 21)	390	69
At end of year	898	508
Amount due for repayment to Welsh Government within one year (Note 18)	439	312
Amount due for repayment to Welsh Government after one year (Note 19)	459	196

23. Group and Association - Disposal Proceeds Fund

	2019	2018
	£'000	£'000
At beginning of year	280	280
At end of year	280	280
Amount due for repayment to Welsh Government within one year (Note 18)	280	175
Amount due for repayment to Welsh Government after one year (Note 19)	-	105

24. Group and Association - share capital

	2019	2018
	£	£
Shares of £1 each fully paid:		
At beginning of year	26	27
Issued during the year for cash	1	3
Cancelled during the year	(1)	(4)
At end of year	26	26

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.

25. 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:

	2019 £'000	2018 £'000
Within one year	119	113
Between two and five years	552	521
Over five years	2,896	3,046
	3,567	3,680

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 28 years. Future minimum rentals receivable under operating leases are as follows:

	2019 £'000	2018 (restated) £'000
Within one year	2,520	2,757
Between two and five years	1,107	1,301
Over five years	4,686	4,864
	8,313	8,922

26. Group and Association - capital commitments

	2019		2018	
	Group £'000	Association £'000	Group £'000	Association £'000
Contracted less certified	26,253	13,178	21,258	4,016
	26,253	13,178	21,258	4,016

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

27. Group and Association - contingent liabilities

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

28. Group and Association - 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.

29. Group information

United Welsh Housing Association is the 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.

30. Group and Association - pension costs

The Group participates in 2 defined benefit pension schemes, the Social Housing Pension Scheme (SHPS) and The Growth Plan, both of which are multi-employer, final salary, schemes. Both schemes are now closed to new members, however, benefits continue to accrue in respect of employees who were members at the date the schemes 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 £20,167.

30. Group and Association - pension costs (continued)

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

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

The Group also participates in the Social Housing Defined Contribution Scheme, matching individual employee contributions up to a maximum of 9% of salary, paying £146k into the scheme during 2018/19.

Social Housing Pension Scheme

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)	31 March 2019 £'000	31 March 2018 £'000
Fair value of plan assets	18,043	16,750
Present value of defined benefit obligation	23,816	22,005
Net defined benefit asset (liability) to be recognised	(5,773)	(5,255)

Reconciliation of opening and closing balances of the defined benefit obligation	Period ended 31 March 2019 £'000
Defined benefit obligation at start of period	22,005
Current service cost	255
Expenses	14
Interest expense	570
Contributions by plan participants	235
Actuarial losses (gains) due to scheme experience	(9)
Actuarial losses (gains) due to changes in demographic assumptions	(329)
Actuarial losses (gains) due to changes in financial assumptions	1,411
Benefits paid and expenses	(336)
Defined benefit obligation at end of period	23,816

30. Group and Association - pension costs (continued)

Reconciliation of opening and closing balances of the fair value of plan assets	Period ended 31 March 2019 £'000
Fair value of plan assets at start of period	16,750
Interest income	439
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	319
Contributions by the employer	636
Contributions by plan participants	235
Benefits paid and expenses	(336)
Fair value of plan assets at end of period	18,043

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £758,000.

Defined benefit costs recognised in statement of comprehensive income	Period from 1 April 2018 to 31 March 2019 £'000
Current service cost	255
Expenses	14
Net interest expense	131
Defined benefit costs recognised in statement of comprehensive income	400

Defined benefit costs recognised in other comprehensive income	Period ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	319
Experience gains and losses arising on the plan liabilities - gain (loss)	9
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	329
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(1,411)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(754)
Total amount recognised in other comprehensive income - gain (loss)	(754)

30. Group and Association - pension costs (continued)

Assets	31 March 2019 £'000	31 March 2018 £'000
Global equity	3,036	3,309
Absolute return	1,561	2,047
Distressed opportunities	328	162
Credit relative value	330	-
Alternative risk premia	1,041	636
Fund of hedge funds	82	551
Emerging markets debt	623	675
Risk sharing	544	155
Insurance-linked securities	518	440
Property	406	771
Infrastructure	946	429
Private debt	242	150
Corporate bond fund	842	688
Long lease property	265	-
Secured income	646	620
Liability driven investment	6,598	6,102
Net current assets	35	15
Total assets	18,043	16,750

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

Key assumptions	31 March 2019 % per annum	31 March 2018 % per annum
Discount rate	2.37%	2.58%
Inflation (RPI)	3.28%	3.18%
Inflation (CPI)	2.28%	2.18%
Salary growth	3.28%	3.18%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

30. Group and Association - pension costs (continued)

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:	Life expectancy at age 65 (Years)
Male retiring in 2019	21.2
Female retiring in 2019	22.9
Male retiring in 2039	22.6
Female retiring in 2039	24.0

31. Change in Accounting Basis: Social Housing (defined benefit) Pension Scheme

The basis of accounting for the Group's estimated liabilities arising as a result of participation in the Social Housing (defined benefit) Pension scheme changed from 1 April 2018.

Previously, insufficient information was available to report this scheme on a defined benefit basis and therefore the Group's liability in respect of participation in this scheme was reported on a defined contribution basis, with the liability reflecting the Group's obligations under the scheme trustees' deficit recovery plan.

The impact on the financial statements of this change is as follows:	£'000
Deficit recovery plan creditor as at 1 April 2018	2,693
Defined benefit actuarial liability as at 1 April 2018 (see note 30)	5,255
Comprehensive Income Adjustment	2,562

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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 Lynda Sagona, Group Chief Executive.

