



Annual report 2023-24

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We are Hafod

As a not-for-profit organisation, we are dedicated to building communities and making connections.

We offer high-quality, affordable homes and support services to help people stay independent and well. Our care services range from personal homes to supported housing, residential care, and care homes.

We started in 1968 as Hafod Housing Association with 300 properties in Cardiff, seven team members, and a turnover of £100,000. Now, over fifty years later, we support more than 16,000 people across seven Local Authorities in Wales. With 1,181 dedicated colleagues and a turnover of over £64 million, we've grown a lot, but our commitment to supporting people remains the same.

At Hafod, we're passionate about making lives better for our customers and communities while being a great place to work for our colleagues. Our values guide us as a group, and our actions reflect our dedication. We're proud of the positive impact we make every day and look forward to continuing our journey together.



16,000+
Customers



6197
Homes



1181
Colleagues



Welcome from our Chief Executive

Jas Bains

Our colleagues strive to make a positive impact every day for our customers, creating a big difference in their lives. This is the heart of who we are and why we do what we do.

Throughout Hafod I see amazing dedication, energy, and compassion from our Teams everyday and I couldn't be prouder.

We're seeing more accountability for housing associations and better ways for customers to raise concerns. New rules like the Renting Homes Wales (RHW) Act and Welsh Housing Quality Standards (WHQS) 2023 are helping us stay accountable.

The Awaab Ishak tragedy in Rochdale was a wake-up call for the sector, showing just how crucial accountability is. Being open and honest is key to serving our customers well. We need to be humble, say sorry when we mess up, and fix things quickly. This was a major theme in our recent team meetings and town hall events, reflecting the realities we face every day.

"Reflecting the world as it is now" is always a timely reminder. While historians might debate the most turbulent times, it's clear that today's global challenges and political factors create a lot of uncertainty. For organisations like ours, staying relevant to the people we serve brings its own set of challenges and opportunities. Just as public services have evolved, so must housing associations. Future trends suggest that successful organisations will be flexible, dynamic, and well-connected. We'll be exploring what this means for us at Hafod.

Our colleagues share the reality that our customers lives are getting more complicated, with serious, long-term issues like mental health struggles, fuel poverty, food insecurity, anti-social behaviour, and domestic violence. These challenges put pressure on an already stretched system. With budgets shrinking across public and third sectors, housing associations are stepping up to fill more gaps and provide more support. But this also brings risks - people might become too dependent on our help, and it's tough when we have to limit support. Since the Welfare Reform changes in the 2010's, this has been a constant challenge for housing associations, social workers, teachers, and police. We need systemic changes in how services are planned, funded, and organised.

Despite the rapid changes in the world, staying connected to our roots and listening to our community and customers is our best bet for staying relevant and effective.



Jas Bains | Chief Executive



Our Year in Numbers:

Check out our latest stats from 2023/2024

£70m

Turnover

£2.9m

Net Surplus

£7.3m

Operating Surplus

£2.1m

Investment in retrofit

£2.5m

Worth of partner in
UKRI funded innovation
projects



31

Social Value
projects



79

Colleague Digital
Heroes created



£140k+

Digital efficiencies
identified



5%

Improvement in
colleague turnover



16,500+

Unique visitors a month
to the new website



138

Lets to homeless
households



3,675

Monthly recipients of our
Hafod Connect
E-newsletter



4.5%

Rent arrears remain
below target



95

Brand new homes
handed over to
customers



100%

Compliance with the
CHC Code of
Governance

Strategy Areas of Focus

Throughout 2023/24 we have worked with customers and colleagues to agree our commitments from 2024 and beyond. We will report against these in next years annual accounts.

Our strategic plan covers the period 2019-2024. Throughout the period of the strategic plan the world has changed significantly – politically, socially, economically and environmentally.

Our strategy has always been ambitious and forward looking, ensuring our services remain relevant and in line with how our customers live their lives.

As we reflect on the final year of this strategy delivery, the amount of change we have seen as an organisation, and the external factors affecting our customers, has been astounding. Yet despite this we continue to deliver on our strategic objectives and continue to make lives better across the communities we serve.

Throughout this report we will be exploring in more detail each area of our strategic plan and highlighting the key successes. Towards the back of the report you will find our financial performance in numbers but we are going to be utilising the first part of the report to celebrate and share the difference we make to our customers and colleagues lives everyday.

For 2019-2024 our strategic objectives have been:


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putting customers first



FILM NEGATIVE

FILM NEGATIVE

FILM NEGATIVE

13

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14 A

Putting Customers First

One of our key strategic priorities is putting the customer at the heart of everything we do.

Over the next few pages we will demonstrate how we are changing the way we interact with our customers to ensure that their voices are heard and their views influence the way we deliver our services.

Improving how our customers can contact us

Over the last year, we have been reviewing how we connect with our customers to ensure every customer can contact us via a method of their choice.

This has involved undertaking both digital and direct contact reviews and tweaking, enhancing and developing ways in which customers can both give and receive information.

Our biggest transformation delivery area has been our website. Customers can now send detailed request and information forms directly to the required department for processing. Early indicators show that these changes have resulted in a reduction in follow-up calls and a decrease in query response times. In the coming year, we will be further analysing the impact of our increased contact methods and evaluating how our changes have reduced customer effort.

We also started engaging with customers on ways we can improve our contact with them and produced outcome cards so that we can communicate our operational changes resulting from listening to our customers.

Here are some of our customer contacts in numbers:



19,590
phone calls received



nine
different ways of
contacting us

30,161
incoming contacts



decrease in call
wait time by
70%

40%
increase in call
answering rate

[See our customer engagement outcomes](#)



Putting Customers First: Engagement

We engage customers through feedback, events, our Scrutiny Panel, and Hafod Connect, reaching 3,500+ monthly.

Engaging customers in decision making

We are continually looking to increase our customer engagement methods to ensure that we continue with what works and improve what doesn't by learning from our mistakes.

Each month customers are invited to answer a specific question around how we can improve on a particular service area. As an outcome to our Question of the Month we hold topical feedback sessions and events with customers to generate greater awareness on the services we offer. This has helped us to identify barriers to effective service delivery in some places and driven us to look for solutions.

Our Scrutiny Panel members continue to ensure we are hearing the customer's voice and give recommendations for change from a customer's perspective. We publish the areas our panel will be reviewing and have open invitations for customers to join sessions for specific topics that may interest them.

A monthly eNewsletter, Hafod Connect, has been developed and is delivered to over 3,500 housing and support customers each month. It has enabled customers to stay informed and provided the opportunity to share their views on a variety of topics at a time to suit them.

Supporting customers and colleagues through the continued cost of living crisis

We partnered with Good Things Foundation National Databank to set up a project, where Customers and Colleagues can apply for a sim card with unlimited data for six months. This can be for a mobile device or mi-fi wifi box. In six months of the project we have made total savings for 48 customers and colleagues of £5,270.40. You can read more about this [HERE](#).

Our customers engaged in a number of ways:

617

**gave feedback
on our repairs
service**



119

**attended
topical groups
and events**

249

**responses to
Question of the Month**

forty-eight



**accessed our
Databank project**

27,436

**opened Connect eNews
(1st year of circulation)**



688

**completed the
STAR Survey**

sixty-four

**Scrutiny
volunteer hours**



96

**mystery shoppers
reviewed our customer
service and website**

Putting Customers First: Social Value

One of our key strategic priorities is putting the customer at the heart of everything we do.

At Hafod, we understand the financial pressures of our customers and are committed to providing support to our customers, their families and wider communities.

Hafod's Social Value distribution has been ad hoc previously, last year a Steering Group was created with the purpose of utilising our social value contracts clauses to deliver benefits to customers and communities.

Hafod applies social value clauses within all its procurement activity, ensuring our customers and communities receive a direct benefit from the outcomes. Our contracts are currently under review to ensure we have sight of all the social value kick back benefits to maximise Hafod's contribution back into our customers and local services.

Since the steering group was formed, 31 projects have been supported, ranging from garden enhancements, back to school uniforms, Christmas gifts and community events.

To read more about our Social Value projects [click HERE](#).

"I'm so grateful for all your help this week, I've slept for the first time in over a month. Me and my children will have a good Christmas because of the help that you have given us, from the bottom of my heart, a big thank you"

Mel, Customer commenting on our Christmas Kindness campaign

Our customers engaged with us in a number of ways:

thirty-one
projects supported

500
families supported



£13,500

spent across social value projects



134
school uniforms
bought

10 young people accessed
learning opportunities



282
children
125
adults

accessed the
Christmas kindness
campaign

six

garden
wellbeing
spaces
created



27

food vouchers
issued



five

food hampers delivered
to our care homes

Customer Case Study: Customer Engagement

Our joint approach: Utilising our Social Value and Hardship fund.



Our joint approach in utilising our Social Value and Hardship fund has allowed us to combine our ‘We’re Here For You’ campaigns and ensure our customers can access maximum support. Here we have an example of one customer receiving support from five different campaigns.

Helen is a single mum of four. She has recently had a new baby and is struggling to manage on basic Universal Credit. Her 15-year-old son is trying his best to support his mum and has recently started employment to help her buy food. She isn’t sure how she is going to find the additional funds to purchase uniforms etc. as she has already cut back on everything.

Helen’s coach was able to identify the support available, complete a multiuse online request form and get Helen the support she needed within one week of applying.

Helen received:



£80
in foodbank
vouchers



£45
worth of
Hasbro toy
donations



£60
worth of
clothing
support



£50
in highstreet
vouchers



£109
of Digital Data

A total of
£344
of support accessed

our care



Our Care

Our care services thrived financially, boosting local support and investing in digital and colleague wellbeing.

Last year saw strong operational financial performance across our care services, enabling us to continue to review and develop in many areas.

Our care operations employ 804 people, who all live locally within our communities. As part of our ambition to support our localities, we are striving to keep our supply chains local. Last year our care operations supported 83 Welsh businesses, spending £3.8 million. Where we can't use Welsh suppliers we aim to support smaller businesses and last year care procured through 104 SME businesses in the wider UK.

As part of our digital investment we have invested £126k in refreshing the digital hardware across our care settings to ensure colleagues are able to connect effectively with the wider organisation. We have issued 296 company email addresses to care colleagues, with the remainder planned in the coming year. This is all part of the procured digital care planning system that was mapped and will be launched next year.

As part of our focus on customer wellbeing and social interactions we have increased the number of hours in our services dedicated to activities for our customers, ensuring these are spread equally over the week, including the weekends. This increase resulted in more trips out in our minibuses and further engagement with local community activities.

We delivered improvements to 50% of our colleague wellbeing areas across our services and plan to complete the remaining spaces this coming year.

Some areas of our care performance in numbers:

87%

Care colleagues
paid above Real
Living Wage



of our Nursing
Assistants
qualified as nurses

100%

Compliance with
CIW regulations

112,289

hours of Community Homecare delivered

£104k



invested in a digital care planning system



95.6%

overall customers
satisfaction with
care they receive



Brocastle

Nursing Home
awarded Dementia
Specialist status

448

Participation engagement
increases in customer
satisfaction survey

580

People cared for each
week on average



Customer Case Study: Care

Stacey is 52 and lives with cerebral palsy.



Despite her health challenges Stacey has completed a residential colleague course which enabled her to gain a job as a clerical assistant with great success and she enjoyed a varied and independent as possible lifestyle.

Due to her cerebral palsy, Stacey experiences head and body tremors along with anxiety attacks, all of which are exacerbated by stress. As her condition deteriorated her physical health her mental health suffered to, not helped by being isolated during Covid-19 pandemic, therefore a move to the APD community at Tŷ Penrhos with 24/7 professional support was explored.

When Stacey arrived, she was very withdrawn, preferring to stay in her room and could get frustrated with her situation, sometimes venting this with Hafod colleagues and generally giving herself a hard time.

Her medication was reviewed, and her mood improved and through building relationships with the Hafod team she shared that her greatest ambition was to go home to her family for Christmas. Stacey believed this to be impossible as she used a large wheelchair that wouldn't go through all doorways and unable to climb two steps into house.

Working with her trusted team and wider professionals a plan was made to see if Stacey could walk again and achieve her dream. She worked daily with physios and colleagues and relearnt how to weight-bear, transfer chairs, walk down corridors and amazingly climb not two but four steps, both up and down.

This amazing achievement resulted in Stacey going home for Christmas 2023. She also now goes to visit regularly and is an active member of the APD community, socialising with others who live there and attends every trip out on our minibuses.


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our support



Our Support

Our support services grew with new contracts and awards, strengthening financial stability and homelessness support.

Our support services continue to be strong with last year seeing contract extensions and new awards, adding to the financial strength of this area of the business.

We continue to support the homelessness agenda across our support services including supported accommodation for homeless people, accompanied with a wider range of community services centred around homelessness prevention.

Continuously evolving practice is vital in an operating environment where the needs customers are presenting with are getting ever more complex. Colleague and Customer wellbeing remains a key focus area and to aid this we are continually investing in ensuring our services are operating in psychologically informed environments (PIE). This applies to our physical properties and colleague approaches to support delivery.

Financial Hardship is a joint focus for our Income and Support teams, enabling customers to maximise their income to alleviate financial pressures and sustain housing security, as well as individual and household wellbeing. The team are actively utilising the Hafod Hardship Fund alongside as many other grants and funds to support customers financially.

Our Managing Partnership portfolio has grown over the last year with new Partners and schemes. This continues to be a way we contribute to the homelessness and social care agenda in a landlord/partner function. We currently operate 48 settings over five Local Authorities in partnership with 12 other organisations.

Here are some key facts about our Support services:

48
settings



Support delivered
in over

five

Local Authorities

Supported

1000+

individuals/households at any one time



In partnership with

twelve

organisations

Delivering vital homelessness & Social Care centred services



Place based supported housing ranging from short-term homelessness accommodation to long-term supported accommodation for vulnerable groups



Customer Case Study: Support

Cardiff Young Persons Supported Accommodation - Life Skills Workshops.

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FILM NEGATIVE

FILM NEGATIVE

People living in young people supported housing projects tend to be on very low incomes. They have to pay their own bills and then have limited funds left to live off. This can lead to 'convenience' eating habits and poor health. One of the best ways to help young adults eat healthily and budget effectively is to encourage them to learn to cook. We have delivered Life Skills cooking workshops with the aim to empower customers to gain cooking knowledge, but also develop further independence skills such as budgeting, planning and making confident choices.

The workshops provide a relaxed, safe, environment and encourage people to feel socially connected and have a voice if they wish to. Attendees learn about others in the group and everyone has an opportunity to talk about who they are and what matters to them. For example, in one session a customer shared information about Ramadan and the importance of separate fridges which was learning for customers and colleagues alike.

Some of the outcomes we have seen is customers are not only motivated to choose healthy eating options but have formed friendships and social connections with people in the group, and gained confidence to access further support and engage with Hafod colleagues. After these workshops, we have seen an increase in customers coming to us to discuss any concerns, issues or additional support needed.

We have also found that customers engaging with these workshops have reported boosts in their self esteem. They enjoyed having a place to explore their creativity and enhance understanding in areas such as maths and health and safety.



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15



our housing



Our Housing

We have invested in modernising our landlord operations and adopting a coaching model.

We continue to invest in modernising our operations as a landlord, further shifting to a coaching rather than transactional model and ensuring our homes are desirable places to live that are fit for the future. Over the next few pages we will demonstrate the continuous work we do to achieve this.

Our neighbourhood coaching model enables us to get closer to our customers, building relationships and trust. This has allowed customers to approach us before they reach crisis point and enables us to work with them on all areas affecting contract sustainability including health, support, finance, education and much more.

The Hafod Hardship Fund has been developed to help address the ongoing cost-of-living pressures and to supplement Hafod's Affordable Rent Policy and annual rent setting. The Fund has a sustained focus on value for money, affordability and improving financial inclusion and wellbeing for contract holders and licensees throughout the rental year.

In 2023/24, our Hardship Fund helped 162 Housing and Support households through crisis interventions and the Rent Hardship Incentive Scheme. In addition, our income coaches and money advisors have maximised income for customers and the Association by assisting customers in securing DHP, rent rescue, HB backdates, council tax reductions and securing grants. In 2023/24, our colleagues raised and saved £218k.

Some areas of our housing delivery in numbers:



134

children from 65 families were assisted with summer holidays and back to school support

£218k

in income assistance raised by Coaches for Customers



333

general needs and retirement lets

138

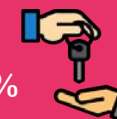
Lets to homeless households



0

evictions where customers have engaged (2 evictions due to serious ASB)

General Needs Average Rent Arrears during this period remains below our 5% target, sitting at 4.5%



26

families received energy advice and winter warm packs

Our Housing: Our Homes

We continue to invest into our properties, ensuring homes are fit for our customers.

Continuous investment in our properties is fundamental to us delivering our ambitions and being a provider of choice for our customers and commissioners across all our services. Last year we have continued to deliver an extensive planned works and reactive repairs service.

Following the launch of the new Welsh Housing Quality Standard, WHQS 23, we have employed additional Stock Condition Specialists to ensure we meet our targets towards decarbonisation and identify what works we need to do in our homes.

Work has continued on our EPC reduction ambitions. Targeted Energy Pathways will be completed on all of our homes by the end of 2027, so we can plan for all our properties achieving the highest energy performance standard (EPC A) as part of WHQS 23 compliance. 95% of our homes are EPC C or above.

Ensuring homes are fit for our customers from the day they move in is key to us. We have updated our Void standard with major changes including new flooring being provided to all habitable rooms for new customers moving into their homes.

We have been successful in obtaining nearly £4m of additional funding towards energy efficiency measures under the Welsh Government Optimised Retrofit Programme. This allows us to install more renewable energy products to our homes, e.g. ground source heat pumps and PV panels with battery storage.

95 brand new homes handed over to customers



components replaced in 23/24:



ninety-four
kitchens

228



roofs & rooflines



228
windows



328
doors

heating
systems



63



67 bathroom
& showers



Customer Case Study: Housing

Utilisation of Hafod Hardship Fund.



FILM NEGATIVE

FILM NEGATIVE

Following the sudden death of his wife, leaving him with three young children to look after alone, Mr S confided in his income coach, Adele, that he would not be able to afford Christmas gifts or funeral clothes for the children and was struggling with paying the rent and multiple debts.

Adele accessed the hardship fund which was accessed to enable Mr S to purchase clothes for the children for their mum's funeral. The fund was also utilised to assist Mr S in purchasing some essential household items and food, as well as funding some Christmas gifts for the children.

Adele also applied for a Discretionary Housing Payment for Mr S's rent arrears which cleared half of the debt. Adele discussed with Mr S options for clearing the remaining debt and budget management plan going forward. Mr S was incredibly worried about the remaining debt and risk of losing his home due to the current debt and to ease this anxiety the Hardship fund to clear the rest of the debt.

"I delivered the toys to Mr S and his children, the youngest is 6 and still super excited for Christmas! He was overwhelmed with the gift cards and told me he thought they were a scam when he saw them come through on email. In his own words, 'I never believed in Santa until now, you are our very own Santa Claus, I am so grateful for all of Hafod's help.'"

Adele, Hafod Income Coach



FILM NEGATIVE



our colleagues



Our Colleagues: Great Days at Work

Hafod's "Great Days at Work" people strategy, which kicked off in 2020, is wrapping up this year.



Hafods people strategy focuses on four main areas: 1. Attracting and keeping talented people by valuing their contributions 2. Helping colleagues develop their skills and achieve their ambitions 3. Fostering a culture of innovation, accountability, and strong leadership and 4. Ensuring that our working practices help us achieve our goals.

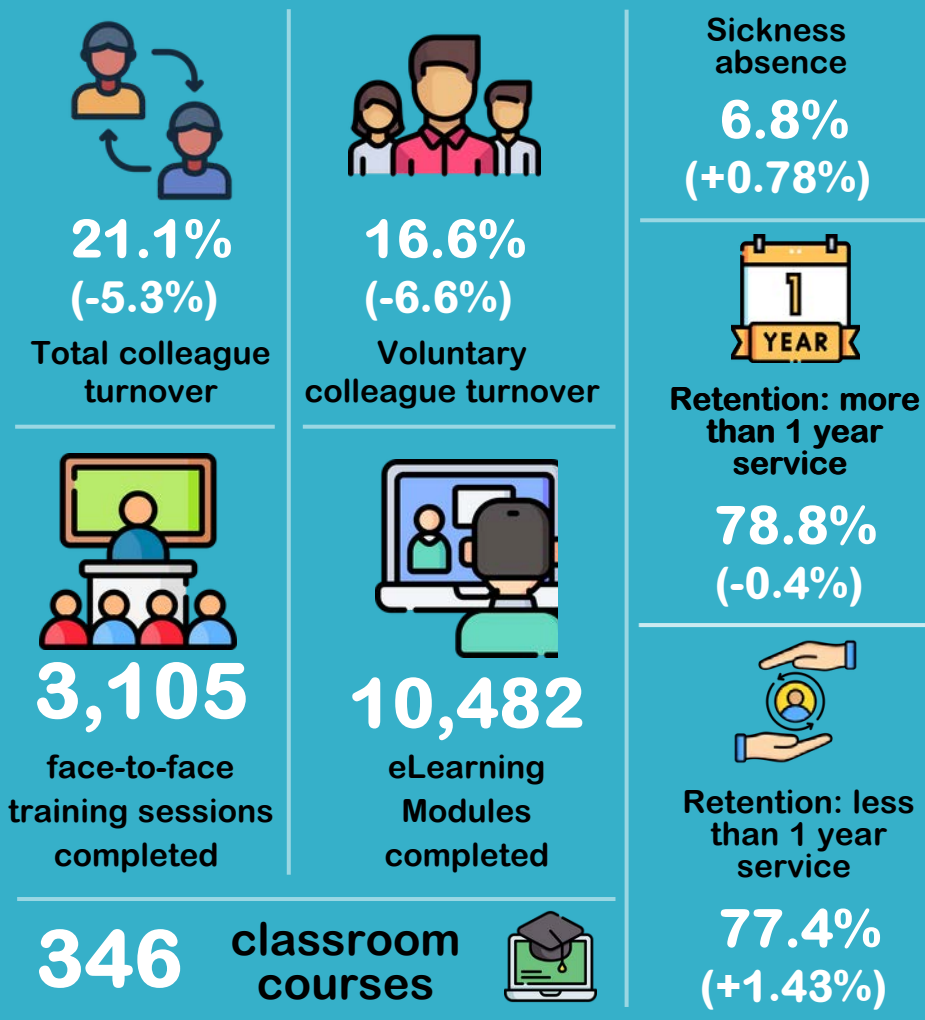
This year, we've had some fantastic successes. We ran our Great Places to work survey for the third time and saw improvements in both our trust score and overall participation. This certified us as a Great place to work, Great place to work for women and a Great place to work for wellbeing. All areas that our people strategy was setting out to achieve. We've also made significant progress on the gender pay gap, reducing it by 8.4 percentage points to just 0.6% and saw significant improvements in the number of colleagues we have retained.

We focused on improving our talent management processes and provided additional training for our senior managers. Two of our colleagues successfully completed their graduate nursing degrees with our support and sponsorship. Our team completed important training on equality, diversity, and inclusion, including training from Anti-Racism Wales training. We also secured funding to help our colleagues develop their professional skills and expanded our Digital Heroes programme to boost digital skills across the organisation.

Hafod received an award from the Chartered Institute of Housing for our Principles and Behaviours framework, and we retained and extended our overseas sponsorship license. We also made improvement to our HR System to enable managers to more easily engage in their people management responsibilities.

Finally, we introduced new management induction and development training programs covering areas like change management, managing difficult conversations, and building resilience.

Hafod's People metrics at 31 March 2024 compared to the same period in 2023:



Colleague Case Study: Nicola Meredith

Nicola achieves distinction in Masters qualification.



FILM NEGATIVE

FILM NEGATIVE

Nicola Meredith, a project officer in our Development team, has recently completed the MSc in Construction Project Management course at the University of South Wales, achieving a distinction.

Accredited by the Royal Institution of Chartered Surveyors (RICS) and the Association for Project Management (APM), the course is practice-based and research focused.

Nicola has worked at Hafod for 12 years and has been studying part-time over the last two years alongside her day-job, which involves project management of our new development schemes.

Funded by Hafod as part of Nicola's career development aspirations, the tuition has included traditional lectures and tutorials with problem-based learning through workshops.

Nicola's progress has been assessed via a combination of coursework, written reports, project work, presentations, examination, and a 15,000-word dissertation about the barriers to the delivery of affordable housing.

Nicola, said: "The qualification has given me a strong foundation into construction project management which I have been able to apply to my current role, and will help me in my journey to becoming a project manager.

"Thank you to Hafod for the opportunity and support to further progress my career."

Nicola Meredith
Project Officer

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Colleague Case Study: Hafod Nurses

Hafod's Nursing Care Assistants become qualified nurses.



Our first two student nurses, Michelle Davies and Kirsty Parry, have successfully completed their nursing degrees and Hafod's 4-year Graduate Nursing Programme.

Michelle's career began in a factory, making components. Now, as a qualified Mental Health Nurse, she works in the dementia community at Tŷ Penrhos Nursing Home in Caerphilly. Reflecting on her path, Michelle emphasised that age is no barrier to success. Despite starting with few qualifications and spending 20 years in catering, she transitioned to a care role at Plas y Garn Care Home, eventually progressing from a Senior Care Assistant to a Team Leader and then Deputy Manager. Hafod supported her through multiple qualifications including a Level 5 in Health and Social Care and a Level 3 City and Guilds in Dementia Care. Completing the Graduate Nursing Programme in May 2024 was a dream come true for Michelle, and she credits Hafod for the unwavering support throughout her journey. Michelle is thrilled she is now a qualified nurse and looks forward to continuing her development with Hafod's support.

Kirsty's first job was as a waitress at the Duffryn Hotel in Maesteg at the age of 14. She joined Hafod 15 years ago as a Care Assistant and steadily progressed to Senior Care Assistant, Nursing Care Assistant, and then to a Unit Coordinator. Now, she proudly holds the title of Registered Mental Health Nurse on one of the dementia communities in Brocastle. Throughout her career, Hafod supported Kirsty through various qualifications, including being part of the first cohort of Nursing Care Assistants in 2018. Despite the challenges of studying during a pandemic and balancing a full-time role with motherhood, Kirsty successfully completed her nursing degree. She cherishes the dynamic nature of dementia care and is proud of her achievements, as are her family and colleagues. Deputy Manager Amanda Davis praised Kirsty's dedication and foresaw her potential to advance further, even suggesting she could one day take over her own role.


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Financial Performance

We continued to demonstrate strong financial performance throughout 2023/24.

In this section, you will find a three-year summary of our financial performance and key financial indicators.

	12 months ended Mar-24	15 months ended Mar-23	12 months ended Dec-21
Operating surplus as % of turnover	10.5%	12.5%	13.2%
Net surplus as % of turnover	4.2%	4.7%	4.2%
Annualised net surplus as percentage of net assets	3.4%	3.8%	3.5%
Average annualised net interest cost	4.4%	4.1%	4.2%
Change in annualised turnover	5.4%	1.5%	2.4%
Change in net assets	5.8%	4.3%	5.7%

Our financial performance explained:

The financial statements present results for the year ending 31 March 2024. The previous financial period was 15 months due to a change in our year end date. On a twelve-month pro-rated basis turnover has grown to £70.0m (2023 pro-rated: £64.6m). This is largely due to the Welsh Government rent settlement in Housing and Support, coupled with fee increases in Care to enable us to fulfill the Welsh Government pledge to pay Real Living Wage to Care Workers. Additionally, during the year we won some new contracts in Support.

Operating surplus of £7.3m was 10.5% of turnover (2023 pro-rated: £8.1m and 12.5%). Twelve-month equivalent net surplus before pension adjustments reduced to £2.9m, 4.2% (2023 pro-rated: £3.0m 4.7%). The operating margin has fallen primarily due to economic and inflationary factors.

Material effects were:

The costs of raw materials in our maintenance operation have increased by well above the headline rate of inflation. This, coupled with maintaining high levels of investment in our homes, has resulted in significantly higher costs being incurred.

	12 months ended Mar-24 £m	15 months ended Mar-23 £m	12 months ended Dec-21 £m
Turnover	70.0	80.7	63.6
Operating expenditure	(63.1)	(71.0)	(55.6)
Surplus on disposal of assets	0.5	0.4	0.4
Operating surplus	7.3	10.1	8.4
Net interest payable	(4.4)	(6.3)	(5.7)
Other income and expenditure	-	-	-
Taxation	-	-	-
Surplus for the year	2.9	3.8	2.7
Net actuarial adjustment/gain in respect of pension scheme	1.8	(0.5)	1.5
Total comprehensive income for the year	4.7	3.3	4.2

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Financial Performance

We continued to demonstrate strong financial performance throughout 2023/24.

Energy costs have increased, this particularly affects Hafod's care operation where energy usage is high and additional costs have to be borne by the organisation.

The level of care vacancies across the UK is very high. This has resulted in increased agency costs in our care operation, with recruitment and retention remaining key challenges.

The care operation has managed the increased costs well and has emerged from the pandemic with strong levels of occupancy, and an overall improving picture, putting us in a strong position to invest in the future.

Hafod's Housing and Support operations have performed strongly with arrears levels continuing to be low.

	Mar-24 £m	Mar-23 £m	Dec-21 £m
Fixed assets	417.4	390.7	369.3
Current assets	33.0	58.2	46.8
Total assets	450.4	448.9	416.1
Current liabilities	(17.8)	(18.8)	(13.5)
Housing loans	(124.6)	(134.2)	(134.7)
Government grants	(224.3)	(215.2)	(191.1)
Defined benefit pension asset	1.9	0.2	0.7
Total liabilities	(364.8)	(368.0)	(338.6)
Net assets represented by reserves	85.6	80.9	77.5

An independent evaluation of the Greater Gwent (Torfaen) final salary pension scheme resulted in an actuarial cessation adjustment on the scheme being reported in Hafod Housing Association Limited's statement of comprehensive income of £1.8m (2023: £0.5m loss). This matter is dealt with further in the financial statements.

During the year we maintained adequate headroom over covenant levels to manage the challenges presented by the current economic climate. A refinancing exercise has significantly increased our headroom in the new financial year. The Group is not exposed to interest rate risk within the next 12 months from its current drawn debt portfolio, with all drawn debt at a fixed rate of interest.

Revenue reserves increased to £85.6m as at 31 March 2024, this net increase comprises of the surplus for the year of £2.9m and the actuarial cessation adjustment on the pension scheme of £1.9m.

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Financial Performance

We continued to demonstrate strong financial performance throughout 2023/24.

There was a net cash inflow from operating activities during the year of £12.2m (2023: £18.7m). External borrowing was offset by bank account balances to leave net debt at the end of March 2024 of £105m (2023: £88m), after cash outflows in respect of interest payable, loan repayments, investment in component replacements and purchase of replacement fixed assets.

The Association's net debt position increased primarily due to a reduction in cash balances from £41.8m to £15.7m at the end of March because of the high grant values received at the end of March 2023 being invested in development during the year.

The Association's cash and liquidity position remains strong, and is managed through daily, weekly and monthly cash management and forecasting.

The financial statements and supporting notes detail the financial performance of the various operating activities of the Association.

	12 months ended Mar-24 £m	15 months ended Mar-23 £m	12 months ended Dec-21 £m
Opening cash and cash equivalents	41.8	29.5	20.5
Net cash from operating activities	12.2	18.7	14.7
Purchase of fixed assets	(32.9)	(28.2)	(13.1)
Home Buy Loans	(0.2)	(0.2)	(0.6)
Proceeds from sale of fixed assets	1.3	1.2	2.8
Government grants received	7.0	27.9	14.3
Net interest paid	(4.4)	(6.8)	(5.7)
Other adjustments	0.6	0.2	(0.5)
Loan (repaid)/received	(9.7)	(0.5)	(2.9)
Net cash inflow / (outflow)	(26.1)	12.3	9.0
Closing cash and cash equivalents	15.7	41.8	29.5

Financial Performance

Treasury Management

During the year we carried out a major review our Treasury Strategy. The strategy was reviewed by our retained treasury advisers, Centrus to ensure compliance with best practice.

The Treasury Strategy was approved on 19 June 2023 at the Hendre Board meeting and had the following principal aims:

- Obtaining additional liquidity to meet Hafod's requirements.
- Financing the future development programme.
- Financing to be at variable rates to allow flexibility over locking-in funding rates.
- Moving to EBITDA only interest cover covenants.

There were also secondary aims around improving covenants generally where possible, particularly in relation to on-lending and capitalised interest exclusion.

A tender exercise was undertaken in the autumn of 2023 resulting in offers for the desired changes to existing facilities and the additional required facilities that had been identified.

By 31 March 2024, all interest cover covenants had been changed to the EBITDA basis rather than EBITDA (MRI). This allows Hafod to invest more, particularly in existing homes in future years. As a result of the exercise the most stringent gearing covenant had been relaxed somewhat.

Interest rate risk is well controlled, with all drawn debt at 31 March 2024 being at fixed rate, but with new facilities arranged as a result of this exercise at variable rates to provide flexibility in line with our treasury strategy objectives.

Some of the new facilities were completed after the year end and provide more than three years liquidity to support our ambitious plans for investment in new and existing homes.



Digital Transformation

Accelerating our digital transformation is a key priority in our 2021-2025 strategic plan.

We believe that innovative digital solutions can revolutionise our services, improve efficiency, reduce costs and enhance our customer experience.

Since launching our digital transformation strategy in January 2022, we've made significant progress. In 2023/24, the second year of our three-year program, we completed over 35 projects and achieved more than £250,000 in service-based efficiencies between process reviews and hardware renewal.

Key improvements in FY24 include launching Hafod's new website for 24/7 customer services and introducing our Data Lake and Analytics program, producing over 161 reports to inform our services. We also gave customers the option of Digital Rent Statements to increase choice, modernise processes and realise cost and environmental savings.

We rolled out new mobile phones to support agile working and introduced a colleague discount airtime scheme, leading to significant savings. We enrolled 79 Digital Heroes to boost digital skills and launched our Databank scheme, providing free data and mifi devices.

We began our Care Transformation project, which will introduce Digital Care plans in 2024/25 and ensure all colleagues have access to digital tools like Microsoft Teams. Additionally, we reviewed our core business systems and initiated a tender for replacements to improve processes, reduce costs and enhance customer services.

Our digital transformation journey is well under way, and we look forward to the continued improvements and efficiencies it will bring.

Here are some digital achievements at a glance:

161

data insight
and analytic
report pages
produced

2k+

requests for
services
completed on
our website



79

Colleague Digital
Heroes created

235 
devices refreshed



16,649
unique website visitors
on average every month

8k+ 

Colleagues access our
intranet

A mixture of
forty-eight
customers and
colleagues signed
up to our data bank
scheme



£140k+
of digital efficiencies
identified



nineteen
service
improvements
and quick wins
delivered



SUPPORT

5,381

support calls
logged with the
service desk by
colleagues



Meaningful Innovation

Side-By-Side tackles societal challenges through stronger organisational capabilities and strategic partnerships for innovative solutions.

Side-By-Side, Hafod's research and innovation arm, continues to focus mainly on broad societal challenges (such as loneliness, food security and ageing) but has also focused more resource inwardly to boost organisational capability.

Partnership is important to the approach. As well as maintaining existing partnerships, new ones have been developed, both internally and across the community and voluntary sector, universities, health boards and commercial sector. All are aimed at helping Hafod solve customer-centred problems.

Side-by-Side has been prominent in shaping the organisation's future strategic direction and supporting a culture of innovation. It also continues to be a strong attribute in attracting new colleagues, partners and Board members keen to make a difference and approach change in a structured and coordinated way.

Some key Innovation headlines:



£2.5m partner in UKRI funded innovation projects worth

three property tech trials enabled by internal research

10+ partnerships created and delivering value to customers

one fully tested and researched solution handed over to an external partner (Golau Food Project)



60+ colleagues and customers involved in developing new wellbeing tech



75

colleagues subscribed to Disruptive Innovators' Network and regularly attending events

Mitigating Climate Change

We developed our first decarbonisation strategy, which is a major part of how we will tackle climate change.

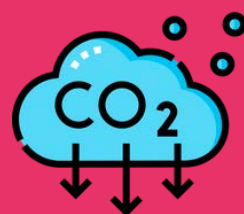
This sets an ambitious target of achieving net zero carbon by 2036, with five major levers:

- Building our picture through data
- Decarbonising new homes
- Decarbonising existing homes
- Low-carbon service delivery
- The carbon literate organisation

Through Welsh Government Optimised Retrofit Programme 2 and other funding, significant progress was made in retrofitting around 200 customers' homes to improve energy efficiency.

We have built carbon reduction criteria into our procurement processes and contracts, and established a network of Green Champions to drive carbon reduction across the business.

Here are our key climate mitigations:



2036

the year Hafod has set as a target for net zero carbon

£2.1m

investment in retrofit of 150 homes in Thornhill, Cwmbran



ten

awarded contracts with specific carbon reduction criteria



£1.9m

in Optimised Retrofit Programme funding awarded and claimed

fifty-eight

Intelligent Energy Systems fitted in customers homes in Ty Cam Extra Care, Merthyr Tydfil, and £180k invested in boosting solar energy capacity

65%

of Hafod stock achieved SAP rating of 75 and upward

network of ten

Green Champions established to support the decarbonisation strategy

Sourced funding to train 2 in-house retrofit assessors, 1 retrofit coordinator and 5 domestic energy assessors

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Leadership

We focused on developing a new strategy, upgrading IT systems, and enhancing leadership skills through coaching and training.

2023/24 saw a raft of development work on Hafod's new 5-year strategy, which has been the major focus of the leadership, alongside IT system replacement and refinancing the organisation.

Hundreds of colleagues across the business were engaged in face-to-face and virtual events, with the intention of the strategy being colleague-owned and led.

The strategy was also informed by hundreds of items of customer feedback from social media, surveys, complaints and customer service channels. The scale of the exercise was unprecedented in Hafod's history and gives us confidence that the emerging strategy is very much in tune with customers and colleagues.

2023/24 also saw a focus on developing leaders' and managers' skills, through coaching interventions, focused management training and Board and Executive effectiveness sessions.

All colleagues are now required to complete e-learning on the Equality Act when joining Hafod and we have stepped up our EDI-related leadership training. Indeed, 18 of our Executive Team and Board attended Anti-Racism Wales training and 21 senior leaders attended EDI awareness training, both facilitated by Tai Pawb.

Here are some of our developments in leadership:



180

colleagues attended in-person strategy discussions hosted by our Chief Executive



six

board and executive effectiveness days held

twenty-eight

responses to colleagues attended newly developed management induction



350

colleagues attended 12 virtual Town Hall strategy events

twelve

colleagues accessed internal coaching



twenty-three

colleagues attended training on managing touch conversations

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Assurance

We continue to strive for world class governance across the organisation and last year saw many key developments in process and approaches embedded into practice.

This has resulted in strong assurance, internally, by auditors and our regulators, accompanied by a positive governance culture.

Health and Safety



eight

Health & Safety audits



fourteen

food safety audits



448

estates inspections

- Review of all health & safety policies
- Review of all risk assessments
- Review of contractor health & safety
- Delivery of 10 fitness for Human Habitation training sessions



twenty-eight

meetings of interdepartmental working groups which increase H&S oversight

Assurance

Inspection Compliance



Gas
100%



Electric
99.67%



EICRs
100%



Fire
100%



Legionella
100%



LOLER
100%



Asbestos
100%

100%

compliance with the CHC Code of Governance



all commercial kitchens have food safety rating of 4 or 5



four

internal audits completed and actions carried out

10

Public Liability Claims resolved

29 data breaches reported with 0 ICO contact

37 subject access requests received

We are committed to complying with our legal and regulatory responsibilities. [Read our 2024 Modern Slavery report here](#)



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our Governance



World-Class Governance

Governance Statement for the Annual Report & Financial Statements 2023/24.

At Hafod Housing Association, we are committed to maintaining the highest standards of corporate governance, which serves as a golden thread woven throughout our organisation. Our governance framework ensures robust oversight, accountability, and strategic alignment, enabling us to deliver on our mission to provide high-quality social housing, care and support.

Landlord Health and Safety Compliance

We are proud to report continued top performance in relation to landlord health and safety compliance. Our commitment to maintaining safe and secure living environments for our customers remains paramount. Rigorous inspections, regular maintenance, and adherence to the highest safety standards ensure that our properties are safe and well-managed. This ongoing dedication is reflected in our excellent compliance record and the trust our customers place in us.

Governance Structure and Enhancements

This year, we have further strengthened our governance by transitioning from a common board structure to a more specialised and diverse Hafod Board. This move has allowed us to bring in new board members who not only enhance our governance capabilities but also incorporate a wealth of diverse perspectives and an understanding of the communities we serve. This strategic shift has fortified our decision-making processes and enriched our organisational culture with a broader range of diversity, skills and experiences.

Regulatory Compliance and Financial Viability

We are pleased to announce that Hafod Housing Association has achieved the highest level of regulatory judgment from the Welsh Government's Housing Regulator. Being rated as "compliant" in relation to meeting all regulatory standards of governance and financial viability is a testament to our robust governance practices, financial stewardship, and strategic oversight. This judgment underscores our ability to effectively manage our resources, deliver high-quality services, and remain resilient in the face of challenges.

In conclusion, Hafod Housing Association's governance framework is designed to ensure transparency, accountability, and continuous improvement. By embedding a governance golden thread throughout the organisation, we have created a resilient and responsive governance structure that supports our strategic objectives and operational excellence. Our ongoing commitment to diversity, community understanding, and regulatory compliance positions us well for future growth and success.

We extend our gratitude to our board members, colleagues, and partners for their unwavering dedication and contributions to our governance practices. Together, we will continue to uphold the highest standards and work towards creating thriving, sustainable communities.



World-Class Governance

Value for money is about delivering services in the most effective and efficient way.

For us, value for money is about ensuring that every pound spent makes the best use of resources to deliver the maximum impact possible for our customers and colleagues.

We use the Welsh Government's Regulatory Framework as an opportunity, as well as regulatory obligation. With effective governance, management and accountability, we embed value for money into every aspect of our operations to enable us to deliver more than traditional landlord functions.

Value for Money Objective	How we have delivered Value for Money
To maximise value from our Group structure	<ul style="list-style-type: none"> • We have increased our financial capability through effective refinancing • We are continuing to understand our stock through enhanced and thorough data collection
To obtain VFM through effective procurement	<ul style="list-style-type: none"> • We have a dedicated procurement team who have enhanced and streamlined our procurement processes to ensure that they are effective across the business • We have made £1,534,437 in savings across whole contract terms for 7 new contracts
To understand value to enable us to optimise efficiencies and use resources effectively	<ul style="list-style-type: none"> • WiFi has been provided to all of our extra care sites • We have redesigned and relaunched our website • We are continuing to ensure that colleagues have the right tools to do the right job at the right time
To deliver community benefits to our communities	<ul style="list-style-type: none"> • We now include social value within all our procurement exercises to ensure that our work is directly benefiting our customers



World-Class Governance

Each year we undertake a self-evaluation process to demonstrate our level of compliance with each Regulatory Framework standard.

Regulatory Standard	How We Meet The Standard
RS1 – strategic leadership and governance	<ul style="list-style-type: none"> • Led by a Board with the skills, knowledge and expertise • Strategic Plan 2021-2025 • Vision, Mission and Values are in place • 100% compliant with CHC Code of Governance • We have a Governance Framework • Board Composition and Board Recruitment policies in place • Customer Strategy
RS2 – robust risk management and assurance arrangements	<ul style="list-style-type: none"> • Risk Management Framework • Strategic Risk oversight by Board and Finance, Risk and Audit Committee • Group Treasury Management policy • Business Continuity and disaster recovery
RS3 – high quality services are delivered to tenants	<ul style="list-style-type: none"> • Landlord Health & Safety Compliance • Social Value steering group • Tenant satisfaction • Performance reporting • Value for Money
RS4 – tenants are empowered and supported to influence the design and delivery of services	<ul style="list-style-type: none"> • Customer strategy and customer engagement plan • Scrutiny panel • Relational model with specialist Neighbourhood Coaching • Board diversity to reflect our communities

Our self-evaluation is developed with the Board to give the assurance they require to ensure we meet the regulatory standards.

Regulatory Standard	How We Meet The Standard
RS5 – rents and service charges are affordable for current and future tenants	<ul style="list-style-type: none"> • Rent setting and annual review of rents and affordability • Dedicated service charge project • Hardship Fund • Financial wellbeing and income team
RS6 – strategic approach to value for money	<ul style="list-style-type: none"> • Value for Money strategy • Specialist procurement team • Community engagement team working with customers to identify and deliver community initiatives
RS7 – financial planning and management	<ul style="list-style-type: none"> • Robust and effective financial planning • 30-year business plan • Treasury management strategy • Financial monitoring and reporting
RS8 – assets and liabilities are well managed	<ul style="list-style-type: none"> • Capital and revenue funding • Stock condition data • Asset management strategy • Treasury strategy • Capital Investment Group for new developments
RS9 – providing high quality accommodation	<ul style="list-style-type: none"> • 100% Landlord Health & Safety compliance • New and improved void standard • 95.4% of properties are EPC C and above

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Board, Committee & Executive

The Hafod Housing Board:

Michael Jones (Chair)	Caroline Hughes
Stacey Anastasi	David Michael
Farida Aslam	Helen Northmore
Moawia Bin-Sufyan	Hugh Russell
Tina Donnelly*	

Company Secretary: Tracey Healey

Responsible Individual: Marc Pullen-James

Under the Regulation and Inspection of Social Care (Wales) Act 2016 Hafod Housing Association Limited must appoint a Responsible Individual (“RI”) in relation to its regulated services. This person is independent of operational matters and sits on the Hafod Board providing assurance on safeguarding and compliance for care operations.

*Appointed to the Hafod Board November 2023

Board resignations 2023/24

Hafod Board - Teresa Beggs (Sept ‘23) | Mutale Merrill (April ‘24)

In accordance with our Rules, members retire when they have served nine years.

Retiree: Katherine Howells (Hafod June ‘24)

Group-wide committees (independent members are named)

- Finance, Risk and Audit Committee - Ronnie Alexander, Peter Allbrook, Martin Veale
- Schedule 1 Committee
- Pension Committee - Allan Jones
- Remuneration, Appointments and Governance Committee - Wyn Lewis

The Executive team:

Group Chief Executive - Jas Bains

Directors

Assets, Customer Strategy and Assurance - Tracey Healey
 People, Communications and IT - Karen Rosser
 Housing and Support- Elke Winton
 Care Operations - Sherri Sargent
 Innovation and Partnerships - Jamie Smith
 Interim Finance & Investments (from February ‘24) - Chris Judson

Executive team resignations

Corporate Director, Finance, Investments & Development - Simon Mellor (March ‘24)

The senior executives hold no interest in the shares of Hendre Limited or its subsidiaries.

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Board, Committee & Executive

Legal status and rules

Hafod Housing Association is a subsidiary of Hendre Limited (the 'parent'). The Association is a 'not for profit' organisation administered by the Board.

The Association is registered as a charitable housing association (No. 18766R) under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Welsh Government as a registered social landlord (No. L034).

The Registered Office of the Association is St Hilary Court, Copthorne Way, Cardiff, CF5 6ES.

The Association has adopted the charitable version of Community Housing Cymru's Model Rules (2013).

Yellow Wales, a company limited by guarantee, is a subsidiary of the Association. Yellow Wales is also a registered charity.

The Association, as part of the Hendre Group, is a member of Community Housing Cymru (CHC).

Shareholders

Share capital is raised by the issue of shares, with each share having a nominal value of £1 which carries no right to interest, dividend or bonus, in line with Housing Act 1996. Shareholders have a 'stewardship' role and act at all times in the interests of the association and for the benefit of the community. They have an active role at Annual General Meetings.

Share membership is restricted to people who have a long-term interest in the well-being of Hendre Limited and the Group. People admitted to share membership are those who are likely to be candidates for election to the Hendre Board, or appointment

to the Hafod Housing Board, and will make a substantial contribution to the work and long-term well-being of Hendre Limited and the Group.

No individuals or organisations will be admitted into membership under circumstances in which an individual might derive personal gain, financially or otherwise.

All applicants to become a shareholder of Hendre's subsidiaries are subject to approval of the Hendre Limited. All board and committee members sign a 'Deed of Contract of Services' confirming that they will meet their obligations to the Hendre Group.

Board members obligations and responsibilities

- To set and oversee the long-term strategic direction for the organisation
- To contribute to and share responsibility for, board decisions; including the duty to exercise all reasonable care, skill and independent judgement
- To set the risk appetite and monitor risk
- To ensure an effective business plan and budget is in place and that the business remains financially viable
- To ensure that performance is monitored against targets and managed through internal controls and delegation
- To approve key policies and take decisions about matters reserved to the Board
- To ensure that the Board fulfills its duties and responsibilities for the proper governance of the organisation including compliance

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Board, Committee & Executive

Skills, qualities and experience required by the Board from its members

The Board must be competent in the wider sense to carry out its defined role. Competence in this wide sense goes beyond particular skills. It includes the ability to understand the impact of the Group's work on local communities and those it seeks to serve. It requires a high level of commitment and cohesion in pursuit of shared goals.

The core responsibilities of Hafod Housing Board members are to oversee and scrutinise the operations which include housing, care and support.

We have a robust Governance framework in place that includes:

- Statement of preferred composition
- Skills and knowledge matrix
- Membership policy
- Role profiles for board and committee members
- Board charter
- Succession plan
- Annual performance reviews
- Board, Committee and Chief Executive performance review policy and procedure

Board and Committee member performance reviews are carried out annually and are designed to assess the skills, knowledge, experience and competencies of members.

The emphasis of the performance review is the assessment of each member's contribution to Board effectiveness and any personal development needs.

The Board's collective effectiveness is reviewed and developed as part of our commitment to continuous improvement and to ensure our boards are relevant and up to date.

The outcome of the performance review process is the development of collective and personal development plans, a succession statement and plan for the forthcoming year.

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

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

The law requires the Board to prepare Group and parent Association financial statements for each financial year. Under those regulations, the Board has elected to prepare the financial statements in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 parent Association and of the surplus or deficit for that period.

Board, Committee & Executive

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments 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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the parent Association and enable them to ensure that their 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.

The Hendre Board is responsible for the sign-off of the Group statements, and each subsidiary responsible for sign-off of their own financial statements. The Boards have general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Each Board is also responsible for ensuring the integrity of the corporate and financial information included on our website.

Housing Association governance – reporting on internal controls.

The Welsh Government requires Registered Social Landlords (RSLs) to report on internal controls (Welsh Government Circular RSL 02/10). We produce an annual statement of compliance and a self-evaluation to fulfil these requirements.

We believe that good governance is essential to the success and sustainability of our business.

The Group has adopted the Community Housing Cymru code of governance (May 2021), and we conduct an annual gap analysis to ensure we comply with all aspects of the code.

The Governance Framework is published to aid the Board's decision-making and its responsibility at Hendre Group. It gives access to key governance documents with the aim of strengthening our governance and increasing our governance literacy. The documents have been written using best practice and provide us with the framework to meet the organisation's regulatory and legal obligations.

The Board is ultimately responsible for the Group's system of internal control which is designed to provide reasonable but not absolute assurance regarding the safeguarding of the assets, the maintenance of proper accounting records and the reliability of financial information.

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Board, Committee & Executive

The following mechanisms have been put in place, which are designed to provide effective internal financial control:

- Clearly defined management and reporting structures detailed in the Scheme of Delegated Authority and Financial Regulations
- Careful recruitment and effective financial training programmes
- Board Assurance Framework
- Regulations and procedures manuals for colleagues
- Management information and accounting systems with quarterly reporting of financial results and other performance indicators
- Rolling five and thirty-year strategic business plan forecasts
- Monitoring of the control systems by the Finance, Risk and Audit Committee

The Finance, Risk and Audit Committee has a wide remit to monitor all aspects of risk and assurance management, audit, internal control, whistleblowing, financial oversight, fraud, money laundering and bribery prevention, and development appraisals.

The Group complies with best practice on the prevention of fraud. There have been no cases of fraud reported during the year.

RSM is the Group's internal auditor, and their reports are presented for scrutiny at the Finance, Risk and Audit Committee. The annual internal audit programme is determined in workshops held with Hendre Board, Finance, Risk and Audit Committee, Executive team and RSM

There have been no events subsequent to the date of the Group's financial position that have had a material effect on the results of the Group as reported in these financial statements.

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

Date of next Annual General meeting 23 September 2024

The directors' report was approved by the Board on 19 August 2024 and is signed on its behalf by:



Tracey Healey
Company Secretary



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Independent Auditors Report

To the members of Hafod Housing Association Limited.

Opinion

We have audited the financial statements of Hafod Housing Association Limited (the 'association') for the year ended 31 March 2024 which comprise the statement of comprehensive income, the statement of changes to reserves, statement of financial position, the statement of cash flows and notes to the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for Registered Social Housing Providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2024 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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Independent Auditors Report

To the members of Hafod Housing Association Limited.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 to report to you if, in our opinion:

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

With respect to the Board's statement on internal controls, in our opinion the Board has provided the disclosures required by the Welsh Government Circular RSL 02/10 and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Independent Auditors Report

To the members of Hafod Housing Association Limited.

Responsibilities of the Board

TAs explained more fully in the Statement of the Board members' responsibilities set out on page 40, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Board members are responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board members either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.



Independent Auditors Report

To the members of Hafod Housing Association Limited.

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

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the association through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we

will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

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

Azets Audit Services

Susanna Cassey (Senior Statutory Auditor)

For and on behalf of Azets Audit Services 29 August 2024

Chartered Accountants

Statutory Auditor

Fleet House
New Road
Lancaster
United Kingdom
LA1 1EZ

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Statement of comprehensive income Year ended 31 March 2024

	Note	Year ended Mar-24 £'000	15 months ended Mar- 23 £'000
Turnover	3	69,988	80,677
Operating expenditure	3	(63,149)	(70,976)
Surplus on disposal of property, plant and equipment	5	479	415
Operating surplus	3	7,318	10,116
Fair value movement on investment property	17	-	25
Interest receivable	6	1,254	636
Interest and financing costs	7	(5,678)	(6,963)
Other finance income	36	9	16
Surplus before tax	3	2,903	3,830
Taxation	12	-	-
Surplus for the year		2,903	3,830
Net actuarial adjustment in respect of pension scheme	37	1,820	(479)
Total comprehensive income for the year		4,723	3,351

Statement of changes to reserves As at 31 March 2024

	Year ended Mar-24 £'000	15 months ended Mar- 23 £'000
At beginning of year	80,884	77,533
Surplus for the year	2,903	3,830
Net actuarial adjustment in respect of pension scheme	1,820	(479)
At end of year	85,607	80,884

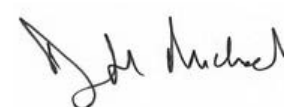
Statement of financial position As at 31 March 2024

	Note	Mar-24 £'000	Mar-23 £'000
Fixed assets			
Housing properties	13	405,379	378,759
Intangible assets	15	442	327
Investment Properties	17	52	52
Other property, plant and equipment	16	1,060	1,089
Homebuy loans	18	10,420	10,454
		417,353	390,681
Current assets			
Inventories	19	-	228
Debtors due after one year	20	12,477	12,696
Debtors due within one year	21	4,840	3,534
Treasury deposits	22	14,746	41,520
Cash at bank and in hand	22	957	251
		33,020	58,229
Creditors: amounts falling due within one year	23	(22,648)	(22,025)
		10,372	36,204
Net current assets		427,725	426,885
Total assets less current liabilities		427,725	426,885
Creditors: amounts falling due after more than one year	24	(344,078)	(346,196)
Defined benefit pension asset	37	1,960	195
		85,607	80,884
Net assets		85,607	80,884
Capital and reserves			
Called up share capital	29	-	-
Revenue reserves		85,607	80,884
Association's funds		85,607	80,884

The financial statements were approved by the Board on 19 August 2024 and signed on its behalf by:



Michael Jones
Chair



David Michael
Board Member



Tracey Healey
Secretary

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Statement of cash flows | Year ended 31 March 2024

	Note	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
Net cash generated from operating activities	a	12,220	18,723
Cash flows from investing activities			
Purchase of property, plant and equipment		(32,939)	(28,172)
Homebuy loans		(139)	(202)
Proceeds from sale of property, plant and equipment		1,265	1,216
Grants received		6,963	27,849
Interest received		1,254	636
Net cash flows from investing activities		(23,596)	1,327
Cash flows from financing activities			
Interest paid		(5,647)	(7,428)
New loans		-	5,349
Repayments of borrowings		(9,666)	(5,848)
Inter-company debtors and creditors		621	154
Net cash flows from financing activities		(14,692)	(7,773)
Net increase in cash and cash equivalents		(26,068)	12,277
Cash and cash equivalents at beginning of year		41,771	29,494
Cash and cash equivalents at end of year	b	15,703	41,771
		Year ended Mar-24 £'000	15 months ended Mar-23 £'000
Treasury deposits:			
Overnight deposit		14,462	14,520
32 days deposit		284	13,000
35 days deposit		-	14,000
		14,746	41,520
Cash at bank and in hand		957	251
Cash and cash equivalents at end of year		15,703	41,771

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Statement of cash flows | Year ended 31 March 2024

a) Net cash generated from operating activities

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
Surplus for the year	2,903	3,830
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	7,780	8,962
Impairment of properties	(426)	239
Fair value movement on investment property	-	(25)
Decrease/(Increase) in inventories	228	(17)
(Increase)/decrease in debtors	(1,306)	675
Increase in creditors	1,377	1,918
Pension costs less contributions payable	55	15
Carrying amount of property, plant & equipment disposals	786	801
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	(1,265)	(1,216)
Government grants utilised in the year	(2,336)	(2,786)
Interest payable	5,678	6,963
Interest received	(1,254)	(636)
Net cash generated from operating activities	12,220	18,723

b) Cash and cash equivalents

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
Treasury deposits	14,746	41,520
Cash at bank and in hand	957	251
	15,703	41,771

c) Free cash flow

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
Net cash generated from operating activities	12,220	18,723
Interest paid	(5,647)	(7,428)
Interest received	1,254	636
Component replacements	(6,486)	(6,755)
Purchase of other replacement fixed assets	(649)	(714)
Free cash generated before loan repayments	692	4,462
Loans repaid (excluding revolving credit and overdrafts)	(9,666)	(5,848)
Free cash generated after loan repayments	(8,974)	(1,386)

d) Reconciliation of net cash flow to movement in net debt

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
(Decrease)/Increase in cash in the year	(26,068)	12,277
Cash inflow from inter-company debtors and creditors	(621)	(154)
Cash outflow from changes in debt	9,666	499
Movement in net debt in the year	(17,023)	12,622
Net debt at beginning of year	(88,045)	(100,667)
Net debt at end of year	(105,068)	(88,045)

e) Analysis of changes in net debt

	At 1 April 2023 £'000	Cash flows	At 31 March 2024 £'000
Cash and cash equivalents	41,771	(26,068)	15,703
Inter-company debtors and creditors	4,412	(621)	3,791
Housing loans	(134,228)	9,666	(124,562)
Net debt	(88,045)	(17,023)	(105,068)

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Notes to the financial statements | Year ended 31 March 2024

1: Principal accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (March 2018) (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. The Association is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102. The financial statements are presented in pound sterling and rounded to the nearest thousand unless otherwise stated.

b) Going Concern

The financial statements have been prepared on a going concern basis which the Board consider to be appropriate for the following reasons:

i) The Association prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in June 2024 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

ii) The Board, after reviewing the Association's budget for 2024/25 and the Association's medium-term financial position as detailed in the 30-year business plan, is of the opinion that

the Association has adequate resources to continue to meet its liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

iii) Consequently, the Board are confident that the Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

c) Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. This is considered depending on the substance of the transaction rather than the form of any contract. The Association currently has no Finance Leases.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Rentals payable under operating leases are charged to expenditure on a straight-line basis over the lease term.

d) Other accounting policies

The accounting policies applied in preparing these financial statements are set out in the notes that follow.



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Notes to the financial statements | Year ended 31 March 2024

2: Significant management judgements and key sources of estimation uncertainty

The prior year information presented in these financial statements is for the fifteen month period from 1 January 2022 to 31 March 2023 following the change to the financial year end from 31 December to 31 March. Because of this change it is important to note that prior period amounts presented in the financial statements (including the related notes) are not entirely comparable.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Classification of financial instruments between basic and other

Financial instruments are classified as either basic or other, with differing accounting treatments depending on the classification. Section 11 of FRS 102, 'Basic Financial Instruments', sets out the requirements for the recognition, measurement and derecognition of basic financial instruments. This section sets out the conditions that must be met in order to classify a financial instrument as basic and therefore account for it in accordance with Section 11.

The Association has considered this guidance and concluded that FRS 102's requirements are most appropriately interpreted to classify all financial instruments held by the Association as basic.

Development expenditure

The Association capitalises development expenditure in accordance with the accounting policy described in note 13. Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs, requires judgement. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed and, in determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Key sources of estimation uncertainty applied in preparing these financial statements include the following:

- i) Investment properties are reviewed annually and measured at fair value with any change recognised in surplus in the Statement of Comprehensive Income. Formal external valuations are carried out bi-annually. The most recent external valuation was at 31 March 2023 and was prepared in accordance with the RICS Valuation - Global Standards 2017. (see note 17)
- ii) Where land is acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The land is recognised at fair value, taking account of any restrictions on the use of the land. The difference between the fair value of the land acquired and the consideration paid is recognised as a government grant and included as a liability. A valuation technique is used which incorporates all factors that market participants would consider in setting a price. This is a judgemental exercise involving the selection of a method, formulae and assumptions.
- iii) The Association has closed its Defined Benefit pension scheme. In accordance with Section 28 (Employee Benefits) of FRS102, the pension scheme surplus is recognised in full as this is expected to be realised. Although the fair value may be subject to change, the actuarial valuation described in note 37 is considered to be the most accurate estimate as at 31 March 2024.



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Notes to the financial statements | Year ended 31 March 2024

3 Turnover, operating surplus and surplus before taxation

	Turnover £'000	Operating costs £'000	Operating surplus / (deficit) £'000	Year ended Mar-24 Surplus / (deficit) before taxation £'000	15 months ended Mar-23 Surplus / (deficit) before taxation £'000
Social housing lettings:					
General needs housing	31,535	26,019	5,516	5,516	8,817
Shared ownership	301	98	203	203	244
Supported housing	9,611	8,253	1,358	1,358	1,844
Other social housing activities:					
Private sector leasing	622	978	(356)	(356)	(519)
First tranche sales	463	361	102	102	268
Residential care homes	8,673	9,288	(615)	(615)	306
Non social housing activities:					
Nursing care homes	15,560	15,403	157	157	(1,245)
Homecare	2,988	3,047	(59)	(59)	20
	<u>69,753</u>	<u>63,447</u>	<u>6,306</u>	<u>6,306</u>	<u>9,735</u>
Other income and expenditure	235	(298)	533	533	(34)
	<u>69,988</u>	<u>63,149</u>	<u>6,839</u>	<u>6,839</u>	<u>9,701</u>
Surplus on disposal of property, plant and equipment				479	415
Operating surplus				7,318	10,116
Interest receivable				1,254	636
Interest and financing costs				(5,678)	(6,963)
Fair value movement on investment property				-	25
Other finance income				9	16
Surplus before tax				2,903	3,830

Turnover comprises:

- Rent, fees and service charge income receivable in the year from tenants, residents and leaseholders (net of rent and service charge losses from voids);
- Income from other goods and services supplied in the period (excluding VAT);
- Income from homeless leasing schemes;
- Revenue grants, including amortisation of government grants;
- COVID-19 grant income received from the Welsh Government and Local Health Boards (this does not include any grant received where the Association has acted as an agent); and
- Income from sale of housing property stock.

Rental income is accounted for in full weeks, prorated for opening and closing positions in the financial year. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting.

Income in respect of services provided is recognised when the Association has fulfilled its contractual obligations.

Income from revenue grants is matched to associated costs and is recognised only when all conditions for receipt are met.

Traditional property sales which include Homebuy, shared ownership and general needs are included within surplus or deficit on the sale of fixed assets. The proceeds from the first tranche sale of low cost home ownership properties are included within turnover. Subsequent tranche sales are included within the surplus or deficit on the sale of fixed assets.

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4 Particulars of income and expenditure

	Social housing lettings			Other social housing activities			Non social housing activities		Year ended Mar-24 Total £'000	15 months ended Mar-23 Total £'000
	General needs housing £'000	Shared ownership £'000	Supported housing £'000	Private sector leasing £'000	First tranche sales £'000	Residential care homes £'000	Nursing care homes £'000	Homecare £'000		
Turnover										
Rents, fees and other charges	28,381	250	5,242	603	-	8,667	15,543	2,988	61,674	69,723
Service charges	1,120	51	1,588	18	-	-	-	-	2,777	3,192
Revenue grants	-	-	2,480	-	-	-	-	-	2,480	3,332
Amortised government grant	2,034	-	301	1	-	-	-	-	2,336	2,786
COVID-19 grants	-	-	-	-	-	6	17	-	23	566
Sale proceeds	-	-	-	-	463	-	-	-	463	673
	31,535	301	9,611	622	463	8,673	15,560	2,988	69,753	80,272
Operating costs										
Management and service costs	10,784	61	6,217	586	-	8,375	14,708	3,047	43,778	48,913
Maintenance	9,515	4	1,048	352	-	568	394	-	11,881	12,408
Bad debts	230	33	74	-	-	7	(134)	-	210	455
Deficit on replacement of property components	251	-	65	4	-	175	12	-	507	239
Depreciation of properties	5,239	-	849	36	-	163	423	-	6,710	8,117
Cost of sales	-	-	-	-	361	-	-	-	361	405
	26,019	98	8,253	978	361	9,288	15,403	3,047	63,447	70,537
Operating surplus / (deficit)	5,516	203	1,358	(356)	102	(615)	157	(59)	6,306	9,735
Rent loss from voids (memorandum note)	233	-	162	87	-	1,439	523	-	2,444	2,680

Surplus on first tranche sales comprises of two sales (Mar-23: four).

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5 Surplus on disposal of property, plant and equipment

	Year ended Mar-24	15 months ended Mar-23
	£'000	£'000
Sale proceeds	1,265	1,216
Cost of sales	(786)	(801)
	<u>479</u>	<u>415</u>

Surplus on disposal of property, plant and equipment comprises of 12 (Mar-23: 18) traditional staircasing sales and disposals resulting in a surplus of £479k (Mar-23: £415k).

6 Interest receivable

	Year ended Mar-24	15 months ended Mar-23
	£'000	£'000
Bank interest receivable	<u>1,254</u>	<u>636</u>

7 Interest and financing costs

	Year ended Mar-24	15 months ended Mar-23
	£'000	£'000
Bank loans	<u>5,678</u>	<u>6,963</u>

During the year, on 28 March 2024, a loan of £6m was settled in full, resulting in a gain of £327k, which is netted off against the interest payable value noted above.

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

The Association does not capitalise any interest costs associated with its development activity.

8 Surplus on ordinary activities before taxation

	Year ended Mar-24	15 months ended Mar-23
	£'000	£'000
Surplus on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment	7,273	8,722
Amortised government grant	(2,336)	(2,786)
Surplus on disposal of property, plant and equipment	(479)	(415)
Audit fees:		
- Statutory audit	54	40
- Audit related assurance services	12	4
Operating lease rentals	<u>2,748</u>	<u>2,104</u>

9 Units in management

	Mar-23 Number	Adjustments	Additions	Disposals	Mar-24 Number
General needs housing	4,606	20	95	(5)	4,716
Shared ownership	81	-	-	(3)	78
Supported housing	445	17	15	(4)	473
Private sector leasing and lettings	112	(34)	-	(69)	9
Residential care homes	194	-	-	-	194
Nursing care homes	239	-	-	-	239
Homebuy	333	-	2	(5)	330
Leaseholders	161	(3)	-	-	158
	<u>6,171</u>	<u>-</u>	<u>112</u>	<u>(86)</u>	<u>6,197</u>

In addition to bed spaces and units in management the Association also provides floating support, tenant support and homecare services to 996 (Mar-23: 706) clients.

10 Employee information

The average number of staff employed during the year was as follows:

	Mar-24 Number	Mar-23 Number
The average number of staff employed during the year was	1,202	1,210
The total number of staff employed at the end of the year was	1,181	1,165
The full time equivalent number of staff employed at the end of the year was	842	856
Finance and Corporate Services	191	181
Development Services	10	9
Housing management	41	44
Care	496	520
Support	104	102
	<u>842</u>	<u>856</u>

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10 Employee information (continued)

The total costs for the staff employed was as follows:

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
Wages and salaries	25,159	30,034
Social security costs	2,047	2,429
Apprenticeship Levy	115	142
Pension costs	1,575	1,433
	<u>28,896</u>	<u>34,038</u>

Included in the wages and salaries reported above is an accrual for all outstanding values to which employees (including senior executives) have become entitled to at the year end as a result of their service, including holiday pay and redundancy. The total accrued as at 31 March 2024 was £759,761 (Mar-23: £424,800). Senior executives do not have any entitlement to enhanced benefits.

The charge for pension represents contributions paid by the Association to the pension schemes. Outstanding amounts payable to the schemes at the year end were £632,530 (Mar-23: £324,091).

11 Members' and key management personnel emoluments

For the purpose of this note, members and key management personnel refer to the senior executives contracted and employed by the Hendre Group as outlined in the annual report.

The Group's Senior Executives are ordinary members of the Group's defined contribution pension scheme. No enhanced or special terms apply to their membership and the Group makes no contribution to any individual pension arrangement in respect of their employment.

Emoluments, including benefits in kind, payable to key management personnel of the Group were as follows:

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
Emoluments	815	955
Pension contributions	87	94
Total emoluments	<u>902</u>	<u>1,049</u>

Emoluments payable to the Group Chief Executive Officer for the 12 month period to 31 March 2024 (Mar-23: 15 months).

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
Emoluments	154	182
Pension contributions	19	21
Total emoluments	<u>173</u>	<u>203</u>

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11 Members' and key management personnel emoluments (continued)

The full time equivalent number of Senior Executives who received emoluments (excluding pension contributions) were in the following ranges on an annualised basis:

	Number	Number
£80,001 - £90,000	1	2
£90,001 - £100,000	1	1
£100,001 - £110,000	1	1
£110,001 - £120,000	3	1
£120,001 - £130,000	1	1
£130,001 - £140,000	-	-
£140,001 - £150,000	-	1
£150,001 - £160,000	1	-

12 Taxation

The surpluses of the Association are exempt from taxation as it is accepted as a charity for tax purposes.

The Association is registered for VAT but a large proportion of its income is exempt for VAT purposes and this therefore gives rise to a partial exemption calculation.

13 Housing properties

	Completed properties £'000	Under construction £'000	Completed shared ownership £'000	Year ended Mar-24 Total £'000	15 months ended Mar-23 Total £'000
Cost					
At beginning of year	420,719	28,024	2,421	451,164	422,461
Additions to properties in the year	649	24,879	-	25,528	22,380
Transfer to Investment Property	-	-	-	-	(34)
Section 106 agreements and donated land	2,384	-	-	2,384	1,468
Schemes completed in the year	15,688	(15,688)	-	-	-
Components replaced in the year	6,069	-	-	6,069	6,565
Disposal of properties in the year	(595)	-	(88)	(683)	(393)
Disposal of components in the year	(1,458)	-	-	(1,458)	(1,078)
Impairment of properties	-	426	-	426	(239)
Reclassification of assets from Homebuy	-	-	-	-	34
At end of year	443,456	37,641	2,333	483,430	451,164
Depreciation					
At beginning of year	72,405	-	-	72,405	65,198
Charge for the year	6,710	-	-	6,710	8,117
Transfer to Investment Property	-	-	-	-	(7)
Disposal of properties in the year	(113)	-	-	(113)	(64)
Disposal of components in the year	(951)	-	-	(951)	(839)
At end of year	78,051	-	-	78,051	72,405
Net book value					
At end of year	365,405	37,641	2,333	405,379	378,759
At beginning of year	348,314	28,024	2,421	378,759	357,263

In addition to the components replaced in the year, a further £0.9m was spent on major repairs (excluding overheads) and has been written off to the statement of comprehensive income (Mar-23: £1.8m). Physical adaptation works (PAG's) and buy back of properties capitalised in the year amounted to £0.5m (Mar-23 £1.4m).

Properties for letting are stated at historic cost less depreciation. Cost includes the cost of acquiring land and buildings and development costs. Where land or buildings are acquired at below market value e.g. as part of a Section 106 agreement (under the Town and Country Planning Act 1990), the carrying value reflects the fair value of the asset received, with the subsidy implicit in the arrangement deemed as grant. Surpluses or deficits resulting from the sale of properties are shown in the statement of comprehensive income under surpluses/deficits from the sale of property, plant and equipment.

Direct development administration costs capitalised in the year amounted to £0.6m (Mar-23: £0.6m). Costs which are directly attributable to the development activity are capitalised including any third party legal, professional or consultancy costs incurred directly in bringing a project into management. The Association does not capitalise any interest costs associated with its development activity.

Direct maintenance administration costs capitalised in the year amounted to £0.3m (Mar-23: 0.3m) and are included in the components replaced in the year values above. Costs are capitalised as described under section 17 of FRS102.

The Association charges depreciation on properties for letting and capitalised components on a straight line basis in order to write off the asset's cost less residual value over its useful economic life.

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13 Housing properties (continued)

Where a property for letting comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and is depreciated over its individual useful economic life. Expenditure relating to replacement or renewal of components is capitalised as incurred.

Depreciation on properties for letting is charged from the beginning of the financial year following the property entering into management. Depreciation on capitalised components is charged from the beginning of the financial year following the replacement of a capitalised component.

Depreciation is charged on a straight line basis over the assets expected useful economic life as follows:

Component	General needs and supported housing	Residential and nursing homes
Property structure	100 years or the period of lease	50 years or the period of lease
Kitchens	15 years	30 years
Bathrooms	25 years	25 years
Heating systems	15 years	20 years
Electrics	35 years	35 years
Window and doors	30 years	30 years
Roof	65 years	50 years
Roofline	30 years	30 years
Photovoltaic Panels	25 years	25 years
External Wall Insulation	30 years	30 years
Lifts	20 years	20 years
Physical adaptations	20 years	n/a
Fire Compartmentation	100 years or the remaining life of the asset	50 years or the remaining life of the asset
Conversions	20 years	20 years

Shared ownership properties are not depreciated because the residual value, which is the estimated amount that would currently be obtained from sale, is not less than the carrying value. All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against the sale proceeds within the operating surplus in the statement of comprehensive income. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value - Social Housing (EUUV-SH) of the remaining fixed asset element. The remaining element of the asset is classified as a fixed asset and included in the housing properties as cost less social housing grant, less any provision for depreciation or impairment.

14 Impairment review

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential. An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the statement of comprehensive income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the statement of comprehensive income.

An impairment provision which was provided in the prior year financial statements has been reversed at Former Cowbridge Grammar School due to a positive outcome around the planning process. An impairment loss has been reversed in respect of the Leckwith Car Sales development site where the original contractor had gone into administration. Additional grant funding from WG was received resulting in a positive NPV after reassessment of the financial viability.

The Association is satisfied, by consideration of a number of factors, that there is no indication of impairment to any category of assets other than stated above, and thus considers that a full, detailed impairment evaluation is not required. In arriving at this conclusion the Association has considered the current level of demand for property across all areas and property types, the low level of void losses, current and projected cash flows, and the ongoing investment in property maintenance and improvement.

15 Intangible assets

Cost

At beginning of year
Additions during year
At end of year

Amortisation

At beginning of year
Amortised in year
At end of year

Net book value

At end of year
At beginning of year

Year ended Mar-24	15 months ended Mar-23
Total £'000	Total £'000
583	470
270	113
853	583
256	130
155	126
411	256
442	327
327	340

Intangible assets relates to computer software and direct digital development costs and is stated at historic cost less accumulated depreciation. The Association charges depreciation on a straight line basis in order to write off the asset's cost less residual value over its useful economic life which ranges from 4 to 10 periods depending on the software requirement.

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16 Other property, plant and equipment

	Service equipment £'000	Computers, furniture and equipment £'000	Year ended Mar-24 Total £'000	15 months ended Mar-23 Total £'000
Cost				
At beginning of year	1,139	5,062	6,201	5,600
Additions during year	3	376	379	601
Disposals during year	-	(549)	(549)	-
At end of year	1,142	4,889	6,031	6,201
Depreciation				
At beginning of year	828	4,284	5,112	4,633
Charge for year	55	353	408	479
Disposals during year	-	(549)	(549)	-
At end of year	883	4,088	4,971	5,112
Net book value				
At end of year	259	801	1,060	1,089
At beginning of year	311	778	1,089	967

Other property, plant and equipment is stated at historic cost less accumulated depreciation.

The Association charges depreciation on a straight line basis in order to write off the asset's cost less residual value over its useful economic life. The principal asset lives on which depreciation is based are:

Service equipment	5 - 15 years
Computer equipment	5 years
Equipment, furniture and fittings	4 - 10 years

17 Investment property

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
At beginning of year	52	-
Transfer from housing properties	-	27
Fair value movement on investment properties	-	25
At end of year	52	52

The classification of properties as investment property or housing properties is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as housing properties. Mixed use property is separated between investment property and housing properties. Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the statement of comprehensive income.

18 Homebuy loans

Homebuy loans relate to properties which the Association has funded under the Homebuy option scheme. The investment is secured by a second charge over each property. The occupier of each property has the right to acquire the Association's investment at market value. Homebuy loans are initially measured at transaction price excluding transaction costs and are subsequently measured at fair value through surplus in the statement of comprehensive income.

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
At beginning of year	10,454	10,731
Additions	139	202
Disposals	(173)	(445)
Reclassification of assets to general needs	-	(34)
At end of year	10,420	10,454

Surpluses or deficits resulting from the sale of fixed asset investments are shown in the statement of comprehensive income under surpluses/deficits from the sale of property, plant and equipment.

19 Inventories

	Mar-24 £'000	Mar-23 £'000
Housing properties	-	228

Housing properties under the course of construction that are being developed for sale or first tranche shared ownership are treated as housing stock and presented within current assets.

There are no properties awaiting sale at 31 March 2024 (Mar-23: two properties).

20 Debtors due after more than one year

	Mar-24 £'000	Mar-23 £'000
Loan to Hendre Limited	5,000	5,000
Housing Finance Grant	7,362	7,581
CoCo Debt	115	115
	12,477	12,696

As at 31 March 2024, Hendre Limited was in receipt of a public benefit entity concessionary loan of £5.0m from the Association (Mar-23: £5.0m).

Housing Finance Grant (HFG) is paid by the Welsh Government towards the costs of housing assets over a period of 30 years to subsidise the capital and interest costs for the provision of affordable housing. The net present value of the HFG receivable over the agreed payment term is recognised as a capital grant and a deferred debtor.

Upon receipt of the grant payments, the debtor decreases by the capital element and the difference between this and the amount of grant received is credited to surplus or deficit in the statement of comprehensive income as a contribution towards the financing cost of that scheme. The discount rate used for the net present value calculations is the same rate that applies to the associated borrowing to fund the housing assets.

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20 Debtors due after more than one year (continued)

The capital grant element of HFG previously received is deemed to be repayable upon disposal of a related housing asset. This is treated as recycled capital grant in the recycled capital grant fund and included in the statement of financial position as a creditor.

The CoCo Debt takes the form of a convertible loan note instrument which provides for the issue of notes (the CoCo Notes) which represent a debt owed by MORhomes plc. The CoCo Notes will convert from debt to shares in MORhomes upon certain prescribed events occurring.

21 Debtors due within one year

	Mar-24 £'000	Mar-23 £'000
Arrears of rent and service charges	3,308	2,796
Less: provision for bad and doubtful debts	(1,779)	(1,607)
	1,529	1,189
Housing Finance Grant	545	545
Trade debtors	417	477
Other debtors and prepayments	2,349	1,323
	4,840	3,534

The Association adopts a policy for making full provision for all arrears owed by former tenants plus full provision for all current tenant arrears in excess of eight weeks old at the balance sheet date.

22 Cash and cash equivalents

	Mar-24 £'000	Mar-23 £'000
Treasury deposits:		
Overnight deposit	14,462	14,520
32 days deposit	284	13,000
35 days deposit	-	14,000
	14,746	41,520
Cash at bank and in hand	957	251
	15,703	41,771

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

The Association's treasury management risks are managed under the umbrella of the Group's Treasury Management policy. Under the Group's policy, surplus cash generated by other members of the Group is pooled within the Association and placed on deposit with approved counter-parties in line with the credit risk policy. As at 31 March 2024, £1.592m related to other members of the Group (Mar-23: £789k).

23 Creditors: amounts falling due within one year

	Mar-24 £'000	Mar-23 £'000
Revenue grants	30	34
Housing loans (see note 25)	2,315	3,182
Interest on housing loans	405	374
Government grants (see note 26)	2,491	2,337
Capital expenditure - properties	1,351	2,068
Capital expenditure - components	1,384	1,801
Capital retentions greater than 90 days	1,110	669
Trade creditors	2,442	2,638
Other taxation and social security	2,700	2,121
Other creditors and accruals	7,211	6,213
Inter-company creditors	1,209	588
	22,648	22,025

Included in other creditors and accruals is a dilapidation provision of £66k in respect of the closure of a homelessness and refugee accommodation service where properties are being returned after having been leased from private landlords.

24 Creditors: amounts falling due after more than one year

	Mar-24 £'000	Mar-23 £'000
Housing loans (see note 25)	122,247	131,046
Government grants (see note 26)	216,728	210,260
Recycled capital grant fund (see note 27)	2,144	1,889
Homebuy grants (see note 28)	2,959	3,001
	344,078	346,196

25 Housing loans

Housing loans are secured by specific charges on the Association's properties. The interest rates are fixed at between 0.0% and 10.2% or vary with market rates.

	Mar-24 £'000	Mar-23 £'000
Repayable by instalments due as follows:		
Between one and two years	1,594	4,314
Between two and five years	6,399	8,128
After five years	114,478	118,604
	122,471	131,046
Within one year	2,315	3,182
	124,786	134,228
Less unamortised transaction costs	(224)	-
	124,562	134,228

A £1m interest free loan was received from Welsh Government in March 2022 and is fully repayable in March 2025.

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26 Government grants

	Completed properties £'000	Under construction £'000	Completed shared ownership £'000	Year ended Mar-24 Total £'000	15 months ended Mar-23 Total £'000
At beginning of year	200,544	40,509	1,169	242,222	212,822
Receipts	397	6,347	-	6,744	28,093
Section 106 agreements and donated land	2,384	-	-	2,384	1,466
Schemes completed in year	9,019	(9,019)	-	-	-
Disposal of properties	(157)	-	(55)	(212)	(159)
Reclassification	1,042	(1,042)	-	-	-
At end of year	213,229	36,795	1,114	251,138	242,222
Amortisation					
At beginning of year	29,343	-	282	29,625	26,870
Amortised to statement of comprehensive income	2,324	-	12	2,336	2,786
Disposal of properties	(27)	-	(15)	(42)	(31)
At end of year	31,640	-	279	31,919	29,625
Net book value					
At end of year	181,589	36,795	835	219,219	212,597
At beginning of year	171,201	40,509	887	212,597	185,952
Due within one year (see note 23)				2,491	2,337
Due after more than one year (see note 24)				216,728	210,260
Total government grants				219,219	212,597

Government grants, including social housing grant (SHG) received from the Welsh Government, relating to the acquisition and development of the Association's housing properties are accounted for under the accrual model and recognised in turnover over the expected useful life of the housing property structure (see note 13). Where land or buildings are acquired at below market value e.g. as part of a Section 106 agreement (under the Town and Country Planning Act 1990), the carrying value reflects the fair value of the asset received, with the subsidy implicit in the arrangement deemed as grant.

27 Recycled capital grant fund

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
At beginning of year	1,889	2,031
Inputs to recycled capital grant fund	255	313
Recycling of grant	-	(455)
At end of year	2,144	1,889

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the statement of financial position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the statement of financial position. There is no recycled capital grant fund repayable within 12 months.

28 Homebuy grants

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
At beginning of year	3,001	3,156
Disposals	(42)	(155)
At end of year	2,959	3,001

A Homebuy grant was provided by the Welsh Government to fund all or part of a Homebuy loan (see note 18) provided by the Association to the purchaser of the housing property. When the Homebuy loan is redeemed the respective Homebuy grant is recognised in the recycled capital grant fund.

29 Non equity share capital

	Year ended Mar-24 £	15 months ended Mar-23 £
Shares of £1 each fully paid and issued at par		
At beginning of year	27	26
Shares issued during the year	4	4
Shares redeemed/(forfeited) during the year	(4)	(3)
At end of year	27	27

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends, redemption or distributions on a winding up.

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30 Financial instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument. The carrying value of the Association's financial assets and liabilities are summarised by category below.

Financial assets measured at undiscounted amount receivable

Short term debtors with no stated interest rate receivable within one year are recorded at transaction price; any changes are recognised in the statement of comprehensive income.

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

	Mar-24 £	Mar-23 £
Inter-company loan to Hendre Limited (see note 20)	5,000	5,000
Rent arrears (see note 21)	1,529	1,189
Trade debtors (see note 21)	417	477
Cash and cash equivalents (see note 22)	15,703	41,771
	<u>22,649</u>	<u>48,437</u>

Financial assets measured at amortised cost

Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly. A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred. If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

	Mar-24 £'000	Mar-23 £'000
Housing Finance Grant (see notes 20 and 21)	7,907	8,126
CoCo Debt (see note 20)	115	115
	<u>8,022</u>	<u>8,241</u>

Financial liabilities measured at undiscounted amount payable

Short term creditors with no stated interest rate receivable within one year are recorded at transaction price; any changes from impairment are recognised in the statement of comprehensive income.

Interest on housing loans (see note 23)	405	374
Capital expenditure - properties for letting (see note 23)	1,351	2,068
Capital expenditure - replacement components (see note 23)	1,384	1,801
Capital retentions greater than 90 days (see note 23)	1,110	669
Trade creditors (see note 23)	2,442	2,638
Inter-company creditors (see note 23)	1,209	588
	<u>7,901</u>	<u>8,138</u>

Financial liabilities measured at amortised cost

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the statement of comprehensive income. Discounting is omitted where the effect of discounting is immaterial. A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

	Mar-24 £'000	Mar-23 £'000
Housing loans (see note 23 and 25)	124,786	134,228

Interest income and expense

The Association's income and expense in respect of financial instruments are summarised below:

	Year ended Mar-24 £'000	15 months ended Mar-23 £'000
Interest receivable	1,254	636
Interest and financing costs	(5,678)	(6,963)
	<u>(4,424)</u>	<u>(6,327)</u>

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31 Capital commitments

	Mar-24 £'000	Mar-23 £'000
Expenditure contracted less certified	34,736	45,103
Expenditure authorised by the Board but not contracted	17,669	2,744
	<u>52,405</u>	<u>47,847</u>

The Board expects that any expenditure it has authorised will be fully financed by grants, mortgage, loans and reserves.

32 Contingent liabilities

In March 2024 the Association became aware that it may not have been fully compliant with potential legal obligations arising under the Renting Homes (Wales) Act 2016 ("the Act") and the Renting Homes (Fitness for Human Habitation) (Wales) Regulations 2022 (as amended) ("the Regulations") at the year end. On identification of the issue, immediate steps were taken to ensure compliance with legal obligations as the Association is currently able to understand them. A number of Registered Social Landlords have issued a claim in the High Court to seek a series of declarations as to the correct meaning and interpretation of the potential obligations. The Association has assessed that the likelihood of an outflow of resources to settle this potential liability following the legal proceedings is less than probable but (acknowledging the inherent uncertainty with such legal proceedings) is more than remote.

A high level of uncertainty remains because the interpretation of the requirements under the Act and Regulations needs clarification which will only be possible following determination of the proceedings that are currently before the High Court, hence any financial effect cannot currently be measured with sufficient reliability at this time.

33 Operating leases

At 31 March 2024 the Association had total commitments under operating leases in respect of leased properties, office premises, equipment and vehicles as follows:

	Mar-24 £'000	Mar-23 £'000
Payments due:		
No later than one year	2,080	2,104
Later than one year and not later than 5 years	7,160	7,577
Over 5 years	6,131	7,231
	<u>15,371</u>	<u>16,912</u>

The majority of the above commitments are in respect of properties managed under lease from The Welsh Housing Partnership and WHP2.

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34 Related party transactions

Hendre Limited provides a landlord and facilities function to Hafod Housing Association Limited. These costs are recharged in full as at 31 March 2024.

Transactions between members of the Hendre Group for the year ended 31 March 2024 are set out in the tables below.

Services provided by:	Company	Hendre Limited £'000	Hafod Housing Association Limited £'000	Hafod Resources Limited £'000	Foundation Housing Tai Syffae £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	565	-	-	-
	Hafod Housing Association	-	-	-	-	-
	Hafod Resources Limited	-	-	-	-	-
Non-registered	Foundation Housing Tai Syffae	-	-	-	-	-
	Yellow Wales	-	-	-	-	-

Debtor / (creditor) balances:	Company	Hendre Limited £'000	Hafod Housing Association Limited £'000	Hafod Resources Limited £'000	Foundation Housing Tai Syffae £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	3,879	-	-	-
	Hafod Housing Association	(3,879)	-	(83)	-	(5)
	Hafod Resources Limited	-	83	-	-	-
Non-registered	Foundation Housing Tai Syffae	-	-	-	-	-
	Yellow Wales	-	5	-	-	-

Transactions between members of the Hendre Group for the 15 month period ended 31 March 2023 are set out in the tables below.

Services provided by:	Company	Hendre Limited £'000	Hafod Housing Association Limited £'000	Hafod Resources Limited £'000	Foundation Housing Tai Syffae £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	488	-	-	-
	Hafod Housing Association	-	-	-	-	-
	Hafod Resources Limited	-	-	-	-	-
Non-registered	Foundation Housing Tai Syffae	-	-	-	-	-
	Yellow Wales	-	-	-	-	-

Debtor / (creditor) balances:	Company	Hendre Limited £'000	Hafod Housing Association Limited £'000	Hafod Resources Limited £'000	Foundation Housing Tai Syffae £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	4,499	1	-	-
	Hafod Housing Association	(4,499)	-	83	-	4
	Hafod Resources Limited	(1)	(83)	-	-	-
Non-registered	Foundation Housing Tai Syffae	-	-	-	-	-
	Yellow Wales	-	(4)	-	-	-

As at 31 March 2024, Hendre Limited has a public entity concessionary loan with Hafod Housing Association Limited of £5.0m (Mar-23 £5.0m).

The Group's treasury management risks are managed under the umbrella of the Group's Treasury Management policy. Under the Group's policy, surplus cash generated by members of the Group is pooled within Hafod Housing Association Limited and placed on deposit with approved counter-parties.

None of the current senior executives or Board Members of Hendre Limited or its subsidiaries had any related party transactions with the Group during the period which require disclosure. Details are given in respect of previous senior executives or Board members.

Other related parties include Hafod Homes Limited and Hafod Corporate Services Limited which are not part of the Hendre Group. Jas Bains and Tracey Healey (Executive Directors of the Group) are Directors.

The Welsh Housing Partnership Limited & WHP2 Ltd

	Year ended Mar-24	15 Months ended Mar-23
Purchases from related parties	2,667	2,562

The purchases above represents values payable in respect of properties leased by Hafod Housing Association Limited from WHP and WHP2. The Boards of WHP and WHP2 set their rent levels to their shareholders to cover their property acquisition and funding costs and these are reflective of the market to cover any risk around transfer pricing.

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35 Subsidiary undertakings

On 8 January 2008 Yellow Wales, a company limited by guarantee (No. 05154189), was acquired for nil consideration and became a subsidiary of the Association. Yellow Wales is also a registered Charity (No. 1105272).

	Mar-24 £'000	Mar-23 £'000
Aggregate reserves	<u>15</u>	<u>15</u>

Yellow Wales' Financial Statements have not been consolidated into the Association's financial statements as they are consolidated into the ultimate parent, Hendre Limited. A copy of Yellow Wales' Financial Statements are available on request from the registered office:

St Hilary Court
Cophthorne Way
Cardiff
CF5 6ES

36 Other finance cost

	Mar-24 £'000	Mar-23 £'000
Return on pension scheme assets	453	246
Interest on pension scheme liabilities	(317)	(230)
Interest on the effect of the asset ceiling	(127)	-
	<u>9</u>	<u>16</u>

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37 Pension scheme

a) Greater Gwent (Torfaen) Pension Fund

On 1 August 2002 Hafod Care Association Limited acquired, from Torfaen County Borough Council, five residential homes for the elderly. Staff employed at these homes were transferred to the employment of Hafod Care Association Limited under Transfer of Undertakings (Protection of Employment) regulations. Prior to transfer, employees at these homes had been eligible to participate in the Local Government Pension Scheme; a defined benefit scheme. From the date of transfer the Administering Authority (Torfaen CBC) and the Transferee Admission Body (Hafod Care Association Limited) entered into an agreement to enable eligible employees to continue to be members of the Scheme and participate in the Pension Fund. On 31 July 2019, as part of the transfer of engagements from Hafod Care Association Limited to Hafod Housing Association Limited the pension fund including eligible employees transferred to Hafod Housing Association Limited.

During the year to 31 March 2024, the Association operated a pension scheme providing benefits based on final pensionable salary in respect of employees who were members of Torfaen Local Government Pension Scheme (LGPS). On 31 March 2024 the remaining members of the scheme were transferred to a Self-Invested Personal Pension (SIPP) with AEGON (see note 37b). The AEGON plan is a Defined Contribution scheme. Any agreed compensation payments have been provided for.

The assets of the Torfaen LGPS scheme are held separately from those of the Association. Pension scheme assets and liabilities are measured differently for the annual FRS102 accounting valuation and for the cessation valuation. The purpose of an employer's accounting valuation under FRS102 is to facilitate consistent comparison of pension positions between employers. An accounting valuation has no effect on the cash contributions that will be certified for an employer. The cessation valuation is to facilitate identification of the asset value due to the employer on cessation of the fund.

The latest full triennial actuarial valuation was carried out at 31 March 2022. For the purposes of these Financial Statements the valuation was updated as at 31 March 2024, by a qualified independent actuary, to comply with Section 28 (Employee Benefits) of FRS 102. Furthermore, as a consequence of Hafod's exit from the scheme on 31 March 2024, in accordance with FRS102, the pension scheme surplus has been adjusted to reflect the proportion of the cessation valuation attributable to Hafod. The cessation valuation was also completed by a qualified independent actuary, to accurately reflect Hafod's expected proportion of the funds on exit. The funds attributable to Hafod on cessation are expected to be realised within 12 months of the year end.

The movement in the scheme surplus/deficit is split between operating charges, finance items and in the statement of comprehensive income.

The contribution rate payable by the Association for all its employees in the scheme for the year to 31 March 2024 was 0% (2023: 30.5%). Contributions paid during the year were £nil (2023: £56,713), no costs were paid in respect of early retirement benefits (2023: nil).

The main assumptions used in this valuation were:

Cessation	Annual FRS102 schedule	Annual FRS102 schedule	
Mar-24	Mar-24	Mar-23	
%	%	%	
Pension Increase Rate (CPI)	2.4	2.8	3.0
Salary Increase Rate	2.9	3.3	3.5
Discount rate	4.2	4.8	4.8

Pension Increase Rate (CPI)

Salary Increase Rate

Discount rate

Mortality assumptions:

The following standard mortality tables were used in the evaluation:

Mortality assumptions

Life expectancy is based on CMI 2021 model, with a 25% weighting of 2022 data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females. The cessation assumptions have been updated based on cessation membership data. Based on these assumptions, the average future life expectancies at age 65 for the Employer are summarised below:

Life expectancy (at the end of the period)	Cessation	Annual FRS102 schedule
- of a male (female) future pensioner (in 20 years time)	19.6 (23.1)	21.8 (24.0) years
- of a male (female) current pensioner	22.4 (24.5)	19.1 (22.6) years

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets/(liabilities)

The fair value of the scheme's assets as outlined on the following pages are expected to be realised in the short term due to Hafod's exit from the scheme. The actuarial valuation described here is considered to be a prudent estimate of funds due to Hafod as at 31 March 2024.

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37 Pension scheme (continued)

	Value at 31-Mar-24 £'000	Value at 31-Mar-23 £'000
Equities	7,777	7,691
Government bonds	1,787	1,655
Property	631	292
Cash (including others)	315	98
Cessation adjustment	146	-
Total market value of assets	10,656	9,736
Present value of scheme liabilities	(7,292)	(6,858)
Adjustment to recognise ceiling value of net asset	-	(2,683)
Adjustment to recognise proportion of assets due to Hafod on cessation	(1,404)	-
Net pension asset	1,960	195

Movement in surplus for the year

	Mar-24 £'000	Mar-23 £'000
Surplus at the beginning of year	195	689
Current service cost	(34)	(88)
Cessation service cost	(30)	-
Contributions paid	-	57
Other finance income	9	16
Actuarial adjustment	1,820	(479)
Surplus at the end of year	1,960	195

Movement in plan assets for the year

	Mar-24 £'000	Mar-23 £'000
Assets at the beginning of year	9,736	10,473
Return on assets	453	246
Actuarial gain/(loss)	722	(723)
Employer contributions	-	57
Employee contributions	8	11
Benefits paid	(409)	(328)
Cessation Adjustment	146	-
Assets at the end of year	10,656	9,736

Movement in plan liabilities for the year

	Mar-24 £'000	Mar-23 £'000
Liabilities at the beginning of year	6,858	9,784
Service cost	64	88
Interest cost	317	230
Employee contributions	8	11
Actuarial gain	(45)	(2,927)
Benefits paid	(409)	(328)
Cessation Adjustment	499	-
Liabilities at the end of year	7,292	6,858

Analysis of other pension costs charged in arriving at operating surplus

	Mar-24 £'000	Mar-23 £'000
Current service cost	(34)	(88)
Cessation service cost	(30)	-
Total service cost	(64)	(88)

Analysis of amounts included in other finance income

	Mar-24 £'000	Mar-23 £'000
Return on pension scheme assets	453	246
Interest on pension scheme liabilities	(317)	(230)
Interest on the effect of the asset ceiling	(127)	-
	9	16

Analysis of amount recognised in statement of total recognised surpluses and deficits

	Mar-24 £'000	Mar-23 £'000
Actuarial gain/(loss) on scheme assets	722	(723)
Actuarial gain on scheme liabilities	45	2,927
Adjustment to recognise ceiling value of net asset	2,810	(2,683)
Cessation adjustment	(353)	-
Adjustment to recognise proportion of assets due to Hafod on cessation	(1,404)	-
Net actuarial adjustment recognised in the statement of comprehensive income	1,820	(479)

Sensitivity analysis

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

Change in assumptions at 31 March 2024	Approximate % increase to employer liability	Approximate monetary amount (£'000)
0.1% decrease in real discount rate	1%	92
1 year increase in member life expectancy	4%	271
0.1% increase in the salary increase rate	0%	1
0.1% increase in the pension increase rate	1%	93

b) Other pension arrangements

As at 31 March 2024 the Association had active members in two pension schemes. During the year to 31 March 2024 there were four active schemes: National Employment Savings Trust (NEST); a Self-Invested Personal Plan (SIPP) with AEGON; a group defined contribution scheme with Scottish Widows; and a stakeholder pension scheme with Standard Life Assurance. New members of staff employed by the Association were auto-enrolled into either the National Employment Savings Trust (NEST); or a SIPP with AEGON, depending on which pension scheme was offered under their contract of employment. During the year, members of the Scottish Widows and the Standard Life schemes were transferred to a SIPP with Aegon. The costs of these four schemes are written off to the statement of comprehensive income on an accruals basis. The assets of these schemes are held separately from those of the Association in independently administered funds. The Association operates a salary exchange scheme that is available to all eligible employees in the AEGON pension plan.

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38 Ultimate parent undertaking

The ultimate parent undertaking is Hendre Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014 registered with the Welsh Government.

The consolidated financial statements of Hendre Limited are available to the public and may be obtained from:

St Hilary Court
Cophorne Way
Cardiff
CF5 6ES





Hafod