



Making Lives Better

Building communities and making connections

Hafod Housing Association Limited

Annual accounts 2022 - 2023

Contents

The information presented in this report highlights our financial performance in 2022/23.

This year was unique for the Hafod Housing Association Limited as we have moved our financial year end from 31 December to 31 March to align with our external market.

This means this accounting period is for the fifteen months from 1 January 2022 to 31 March 2023.

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Welcome from our Chief Executive

We operate in uncertain times triggered by conflict, climate change, pandemics, scarcity of supply, resources as well as economic and demographic factors. As organisation leaders the task of managing and predicting through uncertainty has stretched the cognitive sinews, and by all accounts things are not going to improve dramatically for the foreseeable future.

The last few years have therefore reinforced the need to be more collaborative, bringing together views, perspectives and diverse needs of stakeholders to gain a broader understanding and to improve outputs and outcomes. Serving as a reminder of the role we play in the wider ecosystem where housing is an intrinsic part of the institutional fabric which supports vulnerable, marginalised people and communities. Crisis calls for mutual reciprocity in the national and public interest.

Despite the many challenges including a massive mid-year energy bill amidst the cost-of-living crisis with its associated inflationary impact across all areas of the organisation we managed to weather the storm to achieve a pleasing set of financial results. I wanted to highlight in particular a few areas:

- Arrears levels continue to be at historic lows – reaping the benefits of being close to the customer through the neighbourhood coaching model, but also improving quality of life outcomes.
- Continue to increase investment in our existing properties through higher levels of repairs and maintenance spend.

- 95% of Hafod stock is EPC C and above rated compared with 68% across the Welsh social housing sector.
- Capacity of the business has enabled us to manage the inflationary environment while looking inwardly to reduce discretionary spend and through the workforce planning project align the organisation structure more strongly with key strategic objectives.
- Strong average occupancy in the care home estate bucks the trends seen elsewhere – attraction, viability of our homes etc. Including an innovative strategic partnership with health for hospital discharge individuals as they transition from hospital back into community via an intermediary.
- Pay carers above the real living wage. Yet, we've increased operating surplus in the care operation through the point above. Underlining the importance of good management combined by affording colleagues respect, autonomy and personal growth.
- The substantial investment in digital technology was further increased in the period with very early signs showing beneficial impact across the organisation. There is much more to do but nonetheless pleasing.
- Strong financial performance enabled a generous financial support package for all colleagues (exception of senior executives) to help support challenging domestic fuel and food bills.

- Development programme continues to deliver and we commenced work on the largest site that we've ever undergone in the period.

Looking ahead, we hope to maintain the above with an additional focus on a customers' hardship fund, significant increase investing in repairs and maintenance ensuring we meet replacement cycles and maintain a strong energy performance certificate (EPC) position as well as further consolidate the Brocastle position to secure a sustainable long-term future.

Finally, a word of thanks to the excellent work of our Finance department. They deserve great credit for the overhaul of the internal financial system architecture, making the process more inclusive and driving higher standards. Also, a word of praise for Neil Davies in his leadership of the Finance, Risk and Audit Committee (FRAC) colleagues throughout 2022 and early 2023, for his and their excellent oversight, challenge as well as support and encouragement. Finally, to both sets of auditors, treasury advisors and investors, we thank you too.



Jas Bains
Chief Executive



20,000+
customers



6,000+
properties



1,200+
colleagues



Eight local
authorities

We are pleased to report that over the 15-month period to March 2023, we delivered a number of strategic priorities, the key achievements of which are outlined below:

£80.7m

Turnover



Worked with our customers to gain insight and involve them in strategic decisions

£10.1m

Operating surplus



Year one of our three-year Digital Transformation Strategy delivered



Continued to embed our person-centred neighbourhood coaching model

£3.8m

Net surplus



Continued to develop our external partnerships to support our innovation ambitions

£2.5m

digital spend as we progress our digital strategy

500

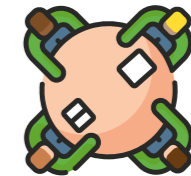
stock condition surveys completed to increase our data held about our homes and aid our future decarbonisation strategy



83 new homes handed over

95%

of Hafod homes our EPC C and above (Wales average for social housing is 68%)



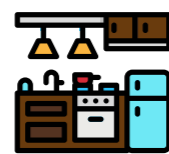
Embedded our Pathways to Board Programme; attracting and developing people from ethnic minority backgrounds to become board members

Despite the on-going external economic pressures around supply chains and raw materials, over the 15-month financial year period, we have installed:



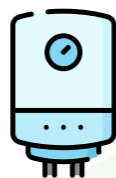
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Bathroom and showers



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Kitchens



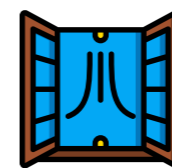
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Heating systems



274

Doors



228

Windows



59

Roofs



68

Rooflines

Financial performance

We continued to demonstrate strong financial performance throughout 2022/23.

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

In this section

Our financial performance

Summary statement of comprehensive income – Association

Summary statement of financial position – Association

Summary statement of cash flows – Association

Key financial performance indicators – Association



Our financial performance

The financial statements present results for the fifteen-month period ending 31 March 2023. On a twelve-month pro-rated basis turnover has grown to £64.6m (2021: £63.8m). Pro-rated operating surplus of £8.1m was 12.5% of turnover (2021: £8.4m and 13.2%). Twelve-month equivalent net surplus before pension adjustments grew to £3.1m (2021: £2.7m). While the operating margin has fallen, this is 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, coupled with maintaining high levels of investment in our homes, this has resulted in significantly higher costs being incurred.
- 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 which has resulted in increased agency costs in the care operation as recruitment and retention remain key challenges.

The care operation has managed the increased costs well and has emerged from the pandemic with strong levels of occupancy. Our St Isan care home closed in March 2022; the impact of the closure has not had a material effect on the overall results for the period. Hafod's Housing and Support operations have performed strongly with arrears levels continuing to be low.

“““

Despite the uncertain and volatile economic and operating environment, Hafod's financial performance has continued to improve, and we are well placed to manage future challenges and support our residents in these difficult times.

Simon Mellor
Corporate Director - Finance,
Investments and Development

Summary statement of comprehensive income – Association

	15 months ended Mar-23 £m	12 months ended Dec-21 £m	12 months ended Dec-20 £m
Turnover	80.7	63.6	62.1
Operating expenditure	(71.0)	(55.6)	(53.3)
Surplus on disposal of assets	0.4	0.4	0.1
Operating surplus	10.1	8.4	8.9
Net interest payable	(6.3)	(5.7)	(5.5)
Other income and expenditure	-	-	-
Taxation	-	-	-
Surplus for the year	3.8	2.7	3.4
Net actuarial adjustment/gain in respect of pension scheme	(0.5)	1.5	(0.4)
Total comprehensive income for the year	3.3	4.2	3.0

An independent evaluation of the Greater Gwent (Torfaen) final salary pension scheme resulted in an actuarial loss on the scheme being reported in the Association's statement of comprehensive income of £0.5m (2021: £1.5m gain). This matter is dealt with further in the financial statements.

We maintain adequate headroom over covenant levels to manage the challenges presented by the current economic climate. The Association 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.

Summary statement of financial position – Association

	Mar-23 £m	Dec-21 £m	Dec-20 £m
Fixed assets	390.7	369.3	366.9
Current assets	58.2	46.8	38.1
Total assets	448.9	416.1	405.0
Current liabilities	(18.8)	(13.5)	(11.1)
Housing loans	(134.2)	(134.7)	(137.6)
Government grants	(215.2)	(191.1)	(182.3)
Defined benefit pension asset/(liability)	0.2	0.7	(0.7)
Total liabilities	(368.0)	(338.6)	(331.7)
Net assets represented by reserves	80.9	77.5	73.3

Revenue reserves increased to £80.9m as at 31 March 2023, this net increase comprising the surplus for the fifteen-month period of £3.8m and the actuarial loss on the pension scheme of £0.5m.

Summary statement of cash flows – Association

	15 months ended Mar-23 £m	12 months ended Dec-21 £m	12 months ended Dec-20 £m
Opening cash and cash equivalents	29.5	20.5	18.4
Net cash from operating activities	18.7	14.7	15.9
Purchase of fixed assets	(28.2)	(13.1)	(15.3)
Home Buy Loans	(0.2)	(0.6)	(1.9)
Proceeds from sale of fixed assets	1.2	2.8	0.9
Government grants received	27.9	14.3	6.2
Net interest paid	(6.8)	(5.7)	(5.6)
Other adjustments	0.2	(0.5)	0.8
Loan (repaid)/received	(0.5)	(2.9)	1.1
Net cash inflow	12.3	9.0	2.1
Closing cash and cash equivalents	41.8	29.5	20.5

There was a net cash inflow from operating activities during the period of £18.7m (2021: £14.7m). External borrowing was offset by bank account balances to leave net debt at the end of March 2023 of £88m (2021: £101m). 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 improved primarily due to the receipt of £27.9m government grants towards the development programme as the committed pipeline progresses.

The Association's cash and liquidity position remains strong and cash balances increased from £29.5m in 2021 to £41.8m at the end of March 2023 with a committed facility of £20m available in both periods. Our Association's cash position 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.

Key financial performance indicators – Association

	15 months ended Mar-23	12 months ended Dec-21	12 months ended Dec-20
Operating surplus as % of turnover	12.5%	13.2%	14.3%
Net surplus as % of turnover	4.7%	4.2%	5.5%
Annualised net surplus as percentage of net assets	3.8%	3.5%	4.6%
Average annualised net interest cost	4.1%	4.2%	4.1%
Change in annualised turnover	1.5%	2.4%	6.9%
Change in net assets	4.3%	5.7%	5.4%



£65m
turnover



£88m
net debt



£391m
fixed assets



£81m
reserves

Strategic review and performance

As we entered the new financial year in April 2023, the Board, Executive team and senior leaders reflected on the challenges we faced in 2022/23 and how through the commitment of our colleagues we finished the period in a good financial position and have successfully delivered a number of strategic objectives.

This section includes our Strategic Plan, our strategic priorities and our five priorities for 2023/24.

In this section

**Our Strategic Plan
2021-2025**

**Our strategic
priorities**

**Our priorities
for 2023/24**

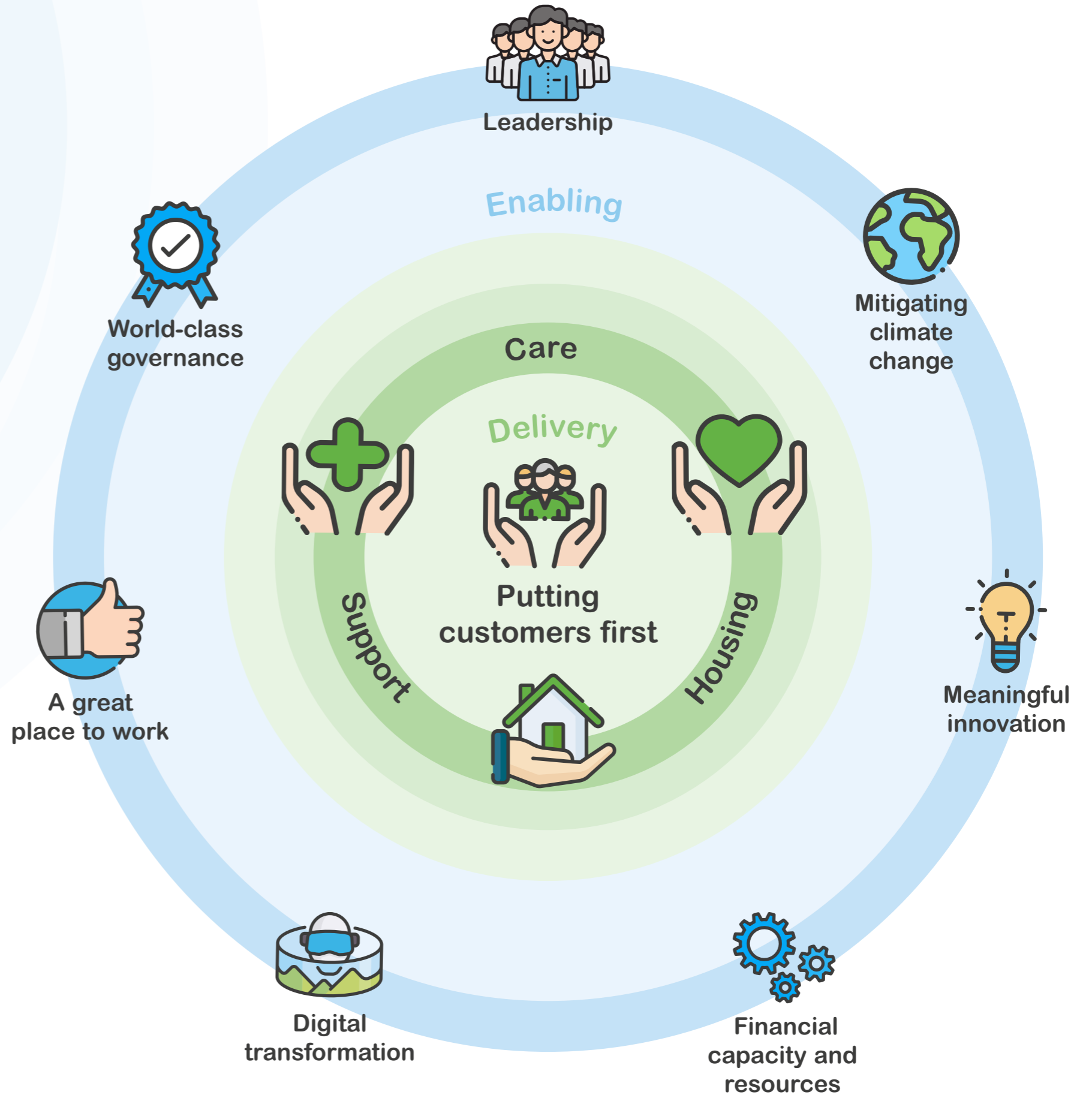


Our Strategic Plan 2021-2025

Our Strategic Plan covers the period 2021-2025, already to date the world has changed significantly – politically, socially, economically and environmentally.

Our strategy is ambitious and forward looking, ensuring our services remain relevant and in-step with how customers live their lives.

For 2021-2025, the following strategic objectives have been identified:



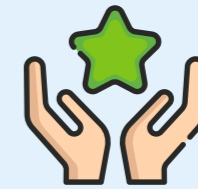
It is appreciated that some of our strategic objectives are enablers, and some more measurable than others and while all are fundamental to the Hafod's continued success they are not the most succinct when linking our strategic desires to our frontline operations. Therefore, each year we identify particular areas of priority to enable us to deliver our objectives.

In 2022, there were six priorities identified:



Infrastructure

We successfully delivered year one of our digital transformation strategy with a number of ways of working modernised and maximised. We delivered over £500k of efficiency savings through digitising processes.



Operating model

Utilising our resources efficiently and effectively to continue to deliver high quality and forward thinking services and improved our ways of working to deliver enhanced outcomes for customers and colleagues.



Customers

We further increased our customer engagement in numbers and touchpoints. Work was undertaken to prepare for a new customer strategy to be launched in 2023, to truly put customers at the heart of all we do, and for us to be sector-leading in pending consumer regulation adoption.



Governance

We embedded our effective risk management framework, meeting all regulatory legislation and implemented our new code of governance, with an increased focus on customer engagement, EDI and Renting Homes (Wales) Act 2016.

Six strategic priorities 2022



Assets

A taskforce was undertaken to review the repairs process from reporting to completion. This resulted in cost savings, enhanced internal efficiency and an increase in repairs completion. This has provided a strong foundation for further development on our existing properties going forward.



Viability

We continue to meet the requirement of regulation and our financial lenders while providing strong and sustainable services. Focus on effective budget setting was also key to set us up for 2023/24.

As we continue to face unprecedented external challenges our strategy allows for our annual priority areas of focus to be agile. To ensure we can adapt and respond to external factors while still delivering our aims.

In 2023/24, we are reporting under the following five strategic priorities:

Five strategic priorities 2023/24



Our governance

Provide the resources, capacity, insight and ability to deliver our aims.

Operate under an effective risk framework, meeting all regulatory requirements.



Our finances

Deliver financial strength through sustainable investment, consolidation and growth.

Continue to meet, manage and overcome external cost pressures.



Our customers

Redefine our approach to quality customer service and engagement.

Be the first housing association in Wales to adopt a consumer regulation framework.



Our properties

Increase investment into existing and new properties; providing safe, desirable homes.

Review repairs processes to enable higher numbers of planned and responsive repairs.



Our colleagues

Ensure we have the right functions and teams to deliver our services.

Continue to develop our employment offer to remain a Great Place to Work.



Each of our 12 strategic objectives fit under these five priorities, ensuring while we are honing our focus, all areas of the overarching strategy are still being executed.

Our customers and services

Customers who feel part of a safe, connected community where they receive high quality services is a key outcome for us. By building strong relationships with our customers, understanding community needs and unlocking people's potential we are paving the way for a future where our customers do for themselves and each other; building sustainable, resilient communities.

In this section, we will be sharing some key information about our customers including how customers engage with us, our neighbourhood coaching approach, housing and support case studies and highlights of our care customers' satisfaction.

In this section

Customer engagement

Our Housing

Our Care

Our Support

Our digital transformation



How we have heard our customers' voice through 2022 to March 2023

Question of the Month overview 2022

Nine questions were asked in 2022:

1. Are you struggling with your heating/electric bills?
2. Are you aware of our SMART money service?
3. Do you use our website?
4. Do you feel safe in your home?
5. What three words would you use to describe Hafod?
6. Would you like to attend a focus group to help shape our service standards?
7. What would you like to see in your local area?
8. If today's query could be done online, would you feel confident using it?
9. Do you feel your rent is value for money? And how affordable is it for you?

602

customers got involved in total

528 customers answered via incoming calls
33 customers took part via social media
41 customers spoke to a neighbourhood coach

How our questions have influenced a decision, supported our customers or helped shape our services



Seven customers were supported to apply for Winter Fuel support



Identified that we need to consider re-branding our SMART Money service and promoting it more



Updated our automated email messages to give guidance on our reply times



Identified that we have a lot of customers who are not digitally confident or have access to equipment



Continue to understand more of our customers' digital capabilities and needs to inform future developments



Helped us review and develop and develop our Affordable Rent Policy, set annual rents and review service charges from April 2023



Helped us refresh and target our support for customers with a focus on affordability, well-being and the cost-of-living crisis

How we have heard our customers' voice through 2022 to March 2023

602

responses to Question of the Month

29

voted on social value (previously community benefits) projects

844

gave feedback on our repairs service



Winner of the TPAS Cymru 2022 'Involving Tenants in Shaping Services' award for customers at the heart of support services recruitment

3,147

Facebook group members

51

Scrutiny Panel volunteer hours

12

communities received social value funding to support community projects voted for by customers



Shortlisted for TPAS awards for how Mystery Shoppers reviewed our Customer Service

14

involved in recruiting support colleagues

3,921

log-ins to our Hafod 24/7 app

55

involved in our cost-of-living roadshows

How our customers engage with us



Topic groups



Customer groups



Walk in your community



Facebook groups



Facebook Live and polls



Hafod 24/7 app



Customer surveys



Mystery shopping



Task and finish groups

Our Housing

Understanding communities and neighbourhoods and building positive relations is a key feature of the Neighbourhood Coaching model which we switched to in 2019. Coaches are driven by getting to know the make-up and identity of communities and households, which very much includes understanding the challenges faced, but also the opportunities and strengths that people and communities have that can go a long way in improving quality of life, health and well-being. By nurturing the development of bespoke and targeted coaching, coaches help customers realise their aspirations and become more empowered to identify and shape their own steps towards getting where they want to be.

For many Hafod communities, it is acknowledged that the challenges being faced have and continue to be significant and heightened as a result of a number of long-standing and arduous factors, such as the welfare benefit reforms, the global pandemic, poverty and more recently the cost of living crisis. All of which are known to impact upon mental health and well-being and test people's already stretched endurance levels.

The next iteration of the Neighbourhood Coaching model is about building positive relationships with communities, stakeholders and partners to help navigate these barriers and constraints that customers are increasingly facing. A purpose being to further realise more sustainable, resilient and happy communities where people can enjoy a sense of value, a sense of belonging and purpose, alongside the enjoyment of their home and community.

Responding to the cost of living crisis

To help our customers through the cost of living crisis we knew that we needed to co-produce solutions together. We focused on the importance of raising awareness of and communicating support and advice available to our customers and used all available communication methods at our disposal. To inform our decisions at this crucial time, we created a cost of living (COL) taskforce. A group of frontline colleagues from across Hafod who met regularly with the Board and senior leaders to address this challenge.

Our co-production started with surveys, interviews and insights being gathered from across our organisation and these informed both the short-term actions we took and longer-term strategic decisions.

- Members of the COL taskforce interviewed colleagues and customers and shared insights with the group.
- A COL survey was created and sent out to all customer email addresses. Over 3,000 customers across housing, support and care received it. 292 customer responses provided us with insight into customer priorities and ideas on what we could be doing to assist. The link to the survey was made available by webpage and via QR code in the COL newsletter.
- We used our Facebook #Connect area groups to disseminate advice in relation to support available across all our local authority areas.
- Question of the month asked about fuel affordability. Every customer phoning into our Customer Services team was asked: "Are you struggling with your heating/electric Bills?" and "What do you think we could do to help?" It was also asked via a Facebook poll.
- Phone calls made to all customers aged 70+ to talk about cost of living, as more likely to be digitally excluded. 15 winter warm packs were distributed as a direct result of these calls.

Priority actions were agreed and implemented as follows:

- COL newsletter created including useful advice and tips for customers, many of which were generated in partnership with our tenants in St Mellons. This was emailed to all customers and a paper version was also produced for distribution. A QR code signposted customers directly to our COL webpage where further advice and support could be accessed.
- New COL webpage designed.
- We used our Facebook #Connect area groups to disseminate advice in relation to support available across all our local authority areas.
- Working with volunteers from the Trussell Trust, we produced a [video](#) to help raise awareness and reduce stigma around what to expect when accessing a food bank. It was shared across social media platforms including LinkedIn, Twitter, Facebook, YouTube, and our website.
- Our Hafod 24/7 app gave customers the option to request a contact from their income coach and to view their rent balance.
- We organised cost of living roadshows to get out into communities and held an event at Barry Memo Arts Centre to offer advice and support face-to-face. There was post-event coverage in the local press, Glamorgan Star, of colleagues pictured with Jane Hutt MS.
- Golau Food Project (Side-by-Side) was a pop-up established in Vale of Glamorgan, giving customers and local community members access to free hot food, sustainable period products, support, and money advice. The pop-up was set up in partnership with Citizens Advice and the Trussell Trust.
- The co-production of the Food Project with local street artists, children and residents made it feel authentic, helped it to stand out and reach a new group of people who wouldn't usually engage with support services. We recently ran another session with the Vale of Glamorgan youth services to understand the impact of (still) rising food costs on young people and their families.

Hardship fund

Listening to our customers' financial difficulties and hearing the impact this had on many people's quality of life, health and well-being factors, we wanted to prioritise investment in financial assistance. As a result, the Hafod Hardship Fund (HHF) has been created as a direct response to the cost of living crisis, to mitigate the effects of the cost of living and subsequent increase in housing and other costs for customers.

The fund also enables Hafod to offer a Rent Hardship Incentive Scheme (RHIS). A fund for the financial year 2023/24 was made available, which has been allocated across Housing and Support services. Within this fund, the sum of £500 per coach and per senior support worker will be earmarked within the Housing and Support budgets respectively. These smaller sums of money will be used for coaching projects and support initiatives, with the added potential of being responsive, flexible and bespoke to both individual and community needs, at the point of contact.

The fund is intended to help contract holders who are experiencing severe financial hardship. For those contract holders who are struggling to maintain their contract, then an arrears focused intervention will be considered in the form of the RHIS. The fund is also aimed at mitigating financial

exclusion for Hafod households and therefore the risks associated with contract holders facing poverty including poor mental health, physical health, and overall well-being.

In September 2022, we published a [cost of living newsletter](#) to all customers and wider communities giving help and advice on tackling the rising cost of living within our homes.

We also produced a [case study booklet](#), that demonstrates just some of the effective up-stream health interventions enabled through our neighbourhood coaching approach. Enhanced health outcomes, and decline spirals broken, through the proactive and co-productive approaches of our Coaches and their close working relationships with our customers.

Want to know more?

Click the links below to read more



Our Care

We provide a diverse range of care services for some of the most vulnerable people in society, enabling them to maintain their independence and well-being for as long as possible in their place of choice and safety - whether this is in their own homes, extra care schemes or in our residential or nursing care accommodation.

Our care strategy reflects our desire to move towards a modern and fit for purpose care estate which forms a solid base for future growth. Our care operations are largely focused on local authority supported residents with approximately a quarter of activity coming from private mid-market customers. Continued investment in the quality of our care offering will drive growth in mid-market activity which will strengthen the sustainability of our care operations.

Throughout 2022/23, we have reviewed our staffing structures across all our care services to ensure we are providing cost effective services without compromising on quality. Due to the wider impacts of the national care workforce capacity crisis, our agency costs are much higher than budget throughout the period. However, with a sufficient oversight and the review of staffing structures we were able to bring this under control and plans are in place to retain this control in the future.

Each year we capture feedback from our care customers and their relatives. This information informs our future decision making and highlights areas for further development.

This is what our care customers told us:



93%

I get on well with the staff



93%

I am treated with dignity and respect



87%

I live in a comfortable, homely environment



91%

I am happy with the care and support I receive



90%

I have my own room the way I like it

This is what our care customers' relatives told us:



94%

I am made to feel welcome when I visit



89%

My views are seen as important



93%

The home environment is clean and comfortable



92%

The staff are readily available and approachable



91%

Satisfied with how enquiries are dealt with

Our Support

Our housing-related support services continue to provide vital support to those that are homeless or facing the risk of homelessness to obtain or sustain secure housing. We provide person-centred and trauma informed support to over 1,050 individuals or households at any one time, over 150 people in Hafod supported housing settings and 900+ via floating support in the community in a range of tenures.

We work with commissioners across our local authority areas to alleviate homelessness pressures, reducing the number of individuals and families they potentially must find temporary accommodation for. Early intervention and prevention is key, although with current demand this is a challenge.

The Welsh Government Housing Support Grant Outcomes were revised this period to reflect current needs. They are:



People have positive and healthy relationships with people in their lives



People feel safe



People have independence and control of their day-to-day life



People are engaged in something meaningful to them



People's physical health is good



People are managing the impact of their dependency



People's mental health and well-being is good

Cost of living

The cost of living crisis coupled with pressure on public services (post-pandemic) has seen a rise in those that are homeless or vulnerably housed.

The current areas of need with those we support are:

- Homelessness prevention linked specifically to affordability and a reducing private rented sector
- Food and fuel poverty
- Mental health and well-being support
- Support to obtain primary health services (GP's/dentists)
- In-work poverty

Managing partners

We have a growing portfolio of properties that we lease to partners providing homelessness and supported housing provision. Equating to:

- 45 settings
- Providing 233 units of accommodation
- Over six local authorities
- Working with 12 partner agencies
- Providing services for homeless people, young people, older people, people with physical disabilities, people with additional learning needs and refugees and asylum seekers.

Again, these partnerships assist local authorities to alleviate homelessness and social care duties, providing good quality and safe homes for a variety of groups of people.

Our Support services position statement

To provide sustainability and growth in our Support services department, we developed a position statement which focuses on putting the people we support at the centre of what we do. Focusing on the way we do what we do in order to meet people's needs and the challenges we face in the sector.

Next-generation Support

We are leading support provider across south Wales, providing supported housing and floating support services to prevent and respond to homelessness, enabling people to thrive.

We want to make sure that everything we do places the customer at the centre and our services are aligned to local and national strategy and we adapt our practice as our customers needs change in order to deliver next-generation support services.

Working with our partners, we deliver the following:



1,250+
people supported
each year



2,500+
Support hours
per week

Across:



Four
local
authorities



We do this by delivering good quality and safe services, providing person-centred support in a psychologically informed way

We provide generic and targeted provisions including services for:



young people



older people



families



people with disabilities and additional needs

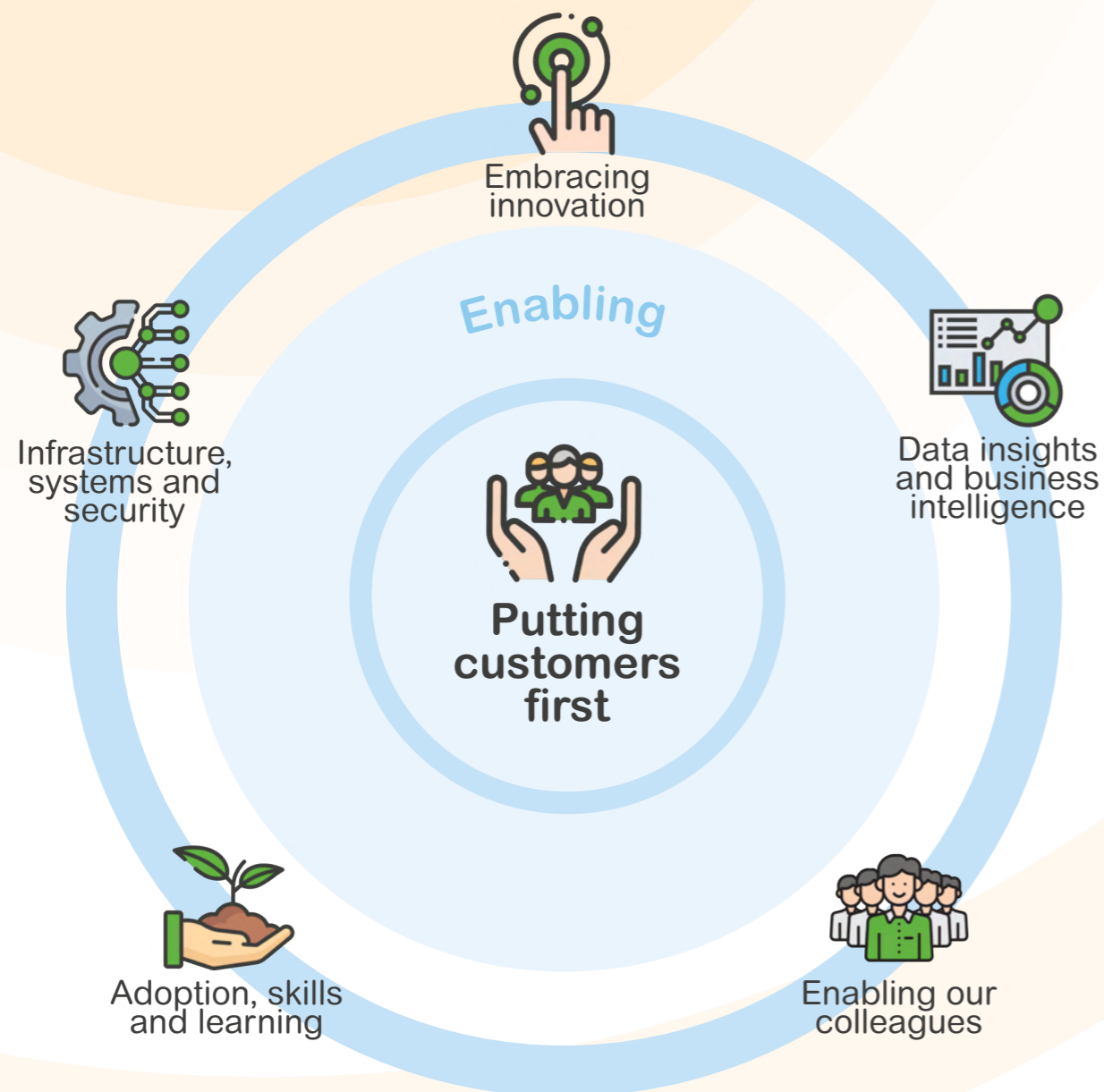


people with enduring mental health needs

Our digital transformation

Accelerating our digital transformation is one of the Hendre Group's key priorities in our Strategic Plan (2021-25). As an organisation, we recognise that providing innovative digital solutions is a key enabler in changing the way we provide our services, which leads to improving efficiency and driving down operating costs whilst helping revolutionise our customer experience.

In November 2021 we agreed our first digital transformation strategy, where we described how we will embrace innovative digital solutions to meet the rapidly evolving and changing needs of our customers and colleagues. The strategy, with a supporting three-year improvement programme, was launched in January 2022, based on the delivery themes shown in the diagram below.



Our key improvements during 2022/23



Establishment of a Digital Transformation team that has led on and delivered over 20 projects during year one.



Introduced a Digital Heroes programme. 14 Heroes across 10 areas inducted to support the with digital inclusion, skills and adoption.



Digital competency and skills audit - 384 responses(32%). Identified Digital Confidence Score of 6.9/10 for Hafod compared to Welsh national average 5.7.



Digital efficiency and quick wins has delivered 25 service improvements resulting in £115,857 full year efficiency savings and £402,040 avoidable costs to date in 2022.



Delivered a four-year managed service Device Refresh programme to update and improve colleagues' devices to give them the ability to interact digitally regardless of location.



Full organisational data and analytics review completed that identified over 250 new requirements and potential automations saving of £358,000.



External cyber security audit complete, with good assurance given. Colleague cyber training and phishing simulations undertaken to mitigate risks.



All our core IT infrastructure now migrated from on premise to the cloud, with over 2.2 million documents/ files 360,000 folders-reorganised and now held within SharePoint and Teams channels.



Customer touch points review identified 23 key Housing customer transactions= 51,999 individual transactions in 2021, of which we prioritised nine to be part of new website launch.



New intranet site live delivering service based information and core colleague services.

Our colleagues

At the heart of our organisation are our colleagues who play a vital role in providing services to our customers and are central to the delivery of our strategic priorities. Working in Care, Housing, Support or central services, our professional colleagues make lives better for customers every day and we are committed to ensuring that each one of them have a great day at work.

This section includes key information about our colleagues, our People Strategy and our Great Place to Work survey and results.

In this section

About our colleagues

Our people metrics

Spotlight on our projects



About our colleagues

2022/23 has been a rewarding and challenging period for our colleagues and organisation. We have had to deal with the outfall from Covid-19 that had a significant impact on our colleagues' well-being, we were faced with a war on talent with the great resignation and our colleagues have had to deal with the strain of the cost of living crisis.

This time has also been a very positive period for our colleagues; we have seen a 2% increase in our Great Place to Work trust index to 68% as well as achieving the status for the second year running of being a Great Place to Work for Women. Given that women make up 83% of our colleagues this is particularly pleasing.

We also reduced our gender pay gap to 9%. We have also reduced our gender pay gap median to 9% which is an improvement of almost 12 percentage points since 2017 when we started reported our gender pay gap. We have also seen improvements in our mean pay gap from 30.4% in 2017 to 16.7% in 2022.



1,200+
colleagues



83% Female
17% Male



Great Place to
Work certified and
a Best Workplace
for Women



Reduced our
gender pay gap
to 9% since
2017



Our people metrics

Throughout 2022/23 we have focused on developing our colleagues in line with their personal goals as well as ensuring they complete the necessary training to fulfil their roles effectively and safely.

During this period over 12,000 eLearning courses have been completed and over 2,300 classroom training sessions. This includes training in areas such as psychologically informed environments (PIE), project management, mental health first aiders and much more.

We are pleased that in the year a number of our colleagues completed their ILM coaching qualifications and are now offering formal coaching to enhance our learning and development offer.

We are delighted to see improvements in a range of our people metrics as outlined on this page.

12,000+

eLearning courses completed

2,300+

classroom training sessions delivered

5%

labour turnover improvement on last year

8

colleagues achieved ILM coaching qualification



Labour turnover

At Hafod, we track our labour turnover percentage as it enables us to understand the impact of leavers across our organisation and allows us to benchmark our performance against other organisations.

Labour turnover is calculated by taking the number of leavers in a period and dividing it by the average number of colleagues employed.

In the period our total labour turnover (which includes all leavers) improved by 5% and our voluntary labour turnover (those colleagues that resigned) improved by 4% to 23% overall.



Retention

Retention is a key measure in Hafod as it measures the percentage of colleagues who are with the organisation today that were with the organisation the same time last year.

Having continuity of service ensures that our customer receive the best levels of service. In the year we have seen our retention performance improve by 0.5% for colleagues with over 1 years' service and by 1% for those colleagues with under one years' service which enable us to measure the success of our recruitment activity.

We have seen an increase in our sickness rate by 0.5%. This illustrates the continued impact on colleague physical and mental health and wellbeing coming out of the Covid-19 pandemic.

To support our colleagues, we have run well-being events, provided resilience training and put support mechanisms in place to help colleagues and managers with sickness absence matters.

Spotlight on our projects

In 2022/23 we carried out a number of people projects that support the delivering of our people strategy.

Four of our key people projects delivered in 2022/23, are:

- Board recruitment
- Menopause policy
- Digital heroes
- Principle and behaviour framework
- Our People strategy

Continue reading to find out more about them.

Board recruitment

In 2023, we took a different approach to recruiting board members in order to address the diversity gap and ensure our board represents the communities in which we operate. Recruitment activity involved advertising the roles with the Pathway to Board cohort and applied the 'Rooney Rule' to all relevant applicants. We also partnered with Women on Boards and utilised social media for all our adverts.

Interview questions focused on Hafod's behaviour framework and how candidates had role-modelled these behaviours. Feedback from the panel on the quality of the candidates was extremely positive.

71 applications
40 male / 31 female

12 applications
from minority backgrounds

24
shortlisted for interview

12
eligible for guaranteed interview

100%
interview attendance

Following interviews, four offers were made to candidates for board member and committee roles and one offer was made for a committee member. Four other candidates, two of whom are Pathway to Board graduates, were identified as having potential for development into board roles in the future. The successful board members are all female with two being from ethnic minority backgrounds.

Menopause policy

Hafod commenced its menopause education journey at the start of 2022. As an organisation that wants to champion women via our equality, diversity and inclusion (EDI) initiatives, this made it a priority area to outline our commitment and support to our female colleagues with the range of experiences women can go through during the menopause and the extent to which it can impact on day-to-day life.

We designed a bespoke Menopause Policy that incorporated a range of views and feedback that was sought on the policy from colleagues of all ages and personal experience with the menopause.

To take it a step further than just a written commitment, we designed a manager's toolkit to provide our managers with practical advice on how to facilitate a conversation around the menopause and create an environment where colleagues are comfortable to be open about their experiences.

The policy launched on World Menopause Day 2022 and feedback on the policy and managers guidance was immediately positive, with a noticeable amount of feedback provided from female colleagues who felt supported.

Digital heroes

One of the digital initiatives we're proud of launching is our Digital Heroes group. This is a group of 14 colleagues who have volunteered to be the 'go to' or point of contact for their colleagues for all things digital or technology related.

Our digital heroes have identified and promoted their digital 'superpowers' to the business, which is often a system they use regularly or an area of digital they have an interest in.

The heroes can be contacted directly by colleagues to help out with digital skills or ways of working. In return, they are provided with the opportunity to receive further digital skills development via internal digital projects and training opportunities.

Our digital heroes are:

Interested in technology and the internet, and passionate to share this with others

Confident at using work systems

Able to explain technology in a simple, clear way

Patient and helpful, with a positive approach to problem solving

Good at communicating with their team



Principle and behaviour framework

2022 saw the launch of the Hafod's Principle and behaviour framework. The principles set out how we work as an organisation and the Behaviours set out our expectation of our colleagues' behaviours.

The framework was launched across the organisation in the summer of 2022 to all teams and in the last nine months, the People team have held over 20 training sessions to support the initial launch.

The organisation's behaviour framework is being weaved into all people policies and information and is also replacing our focus on values in all our corporate literature. We have also taken the approach of including the behaviours in our attraction and recruitment processes to help potential new colleagues understand Hafod's expectations.



Our principles are:

We work together

We collaborate with others to achieve our social purpose. We are committed to respect and dignity, encouraging everyone to be their true selves.

We all have a voice

We value open, two-way communication, so all voices are heard. We encourage everyone to speak up, be proud and celebrate our successes.

We are all empowered to make a difference

We are trusted to be autonomous/ independent, make decisions and use our initiative. Our leaders are supportive, visible and accessible.

We embrace growth

We pursue meaningful change and innovation led by evidence. All experiences are valued as stepping stones on a journey or organisational learning. We are supported in our professional development and personal well-being.

We are driven by our social purpose

We positively impact our customers, colleagues, communities and the environment. We exist to improve lives and the world we live in.

We are outcome driven

We monitor performance by outcome to ensure efficiency, cost effectiveness and value for money. To achieve this, we embrace new technology, the modernisation of systems and agile working practices.

Our People strategy

In 2019, we launched our People strategy which was aligned with the achievement of our strategic priorities. There are four ambitions outlined below, and each year we are building and delivering on these ambitions.

For the review of 2022/23, please see our [People annual review](#).



#GreatDaysatWork

Governance

Our robust governance and risk management framework together with strong leadership helps us establish and maintain defined roles across the organisation.

We deliver and progress our strategic priorities, whilst ensuring we adhere with all relevant laws and regulatory requirements, through clear, effective leadership and informed decision-making.

In this section, you can read about the overarching governance framework which includes risk, management, value for money, etc.

In this section

Risk and risk management

Risks facing the Hendre Group

Value for Money

Disclosure of information to the Auditor

Independent Auditor's report

Board, Committee and Executive information



Risk and risk management

As part of our strategic planning process and risk management culture across the organisation, a Risk management framework was developed in May 2019 and reviewed in September 2022. This framework delivers consistent risk management across the Group and is an integral part of decision making and strategic planning process.

Risk management is applied at four levels:

Strategic

Risks identified and managed by the Hendre Board and Executive team. These are risks that could de-stabilise the business or have a significant impact on our long-term strategic objectives.

Corporate

Risks from across the business that have collective oversight by the Executive team and Senior Management team where the risks could impact operational plans, financial performance, project risks, or anything that could undermine business goals.

Operational

Risks identified in the business environment for each individual business unit/directorate where risks are managed locally.

Project

Risks identified as potential barriers to delivering projects against scope.

The strategic risks facing the Hendre Group are assessed and monitored by the Board and scrutinised by the Finance, Risk and Audit Committee in line with the risk management framework.

A key factor is constantly monitoring our operating environment and horizon scanning to ensure a comprehensive understanding of the business landscape in which the Group operates. This includes the key factors that will impact upon the Group's long-term financial viability enabling us to continue to provide high quality services to current and new customers within a well-governed organisation.

The Board continues to strengthen its governance arrangements to maintain the highest standard of regulatory status.

Regulatory Judgement July 2022

Financial viability - Compliant - Green status

Governance (including tenant services) - Compliant - Green status

““““

“Our Finance, Risk and Audit Committee (FRAC) continues to review the strategic risk register at every meeting and have worked closely with the internal and external audit teams. We have also continued the ‘deep dive’ reviews which allows FRAC to gain assurance on specific risks with interaction with colleagues throughout the organisation, with these reviews scoped alongside the risks included as part of the internal audit programme.

“The development of the Committee to re-introduce more financial and treasury elements within its terms of reference, leveraging the specific skillsets of FRAC members, has aided the focus on the financial viability and strength of the organisation across 2022/23 and beyond.”

Neil Davies,
2022/23 Chair of Finance, Risk and Audit Committee

Risks facing the Hendre Group

The Board has identified one of its strategic objectives to be first-class governance. It is important that we continue to build on the progress made in the Risk Management framework. The Risk Management framework will continue to be utilised as a management tool to mitigate risk to the measures acceptable to the organisation and provide a mechanism of oversight and assurance. Significant operational and financial risks and challenges that face the Group at present and into the foreseeable future, particularly given the diverse nature of the Group's operations. Some of these risks are known, identifiable and manageable and have been incorporated into the Group's strategic risk register. The Board recognises the geopolitical landscape and uncertain economic environment continues to exacerbate societal vulnerabilities. A number of risks remain on our risk register for us to monitor the impact on our customers and our business.

The Hendre Board has overall responsibility for monitoring oversight of the organisation's strategic risks. The detail is delegated to our Finance, Risk and Audit Committee (FRAC) which scrutinises the risks at every meeting and reports back to the Board, providing assurance that risks

are being managed and there are appropriate mitigations and controls in place. The strategic risks are reviewed on a regular basis both individually and collectively by the Executive team prior to being scrutinised by the Finance, Risk and Audit Committee.

The organisation works closely with our internal auditors, RSM. We adopt a risk-based approach to setting the internal audit programme and programme of deep-dives to provide the Board with another level of assurance around our management of risk. This is an ongoing process to ensure the organisation is on the front foot and we remain vigilant to the changes to our operating environment.

The Board sets clear financial performance objectives, for both the short and long-term, for each operational area of the business. There is a well-defined framework for key financial controls with a robust process of reporting and monitoring financial performance to the Board.

The Group's treasury management policy is the mechanism by which the Board outlines the type and amount of risk it is prepared to assume to deliver its strategy and run day to day operations. Its treasury management activities are defined as:

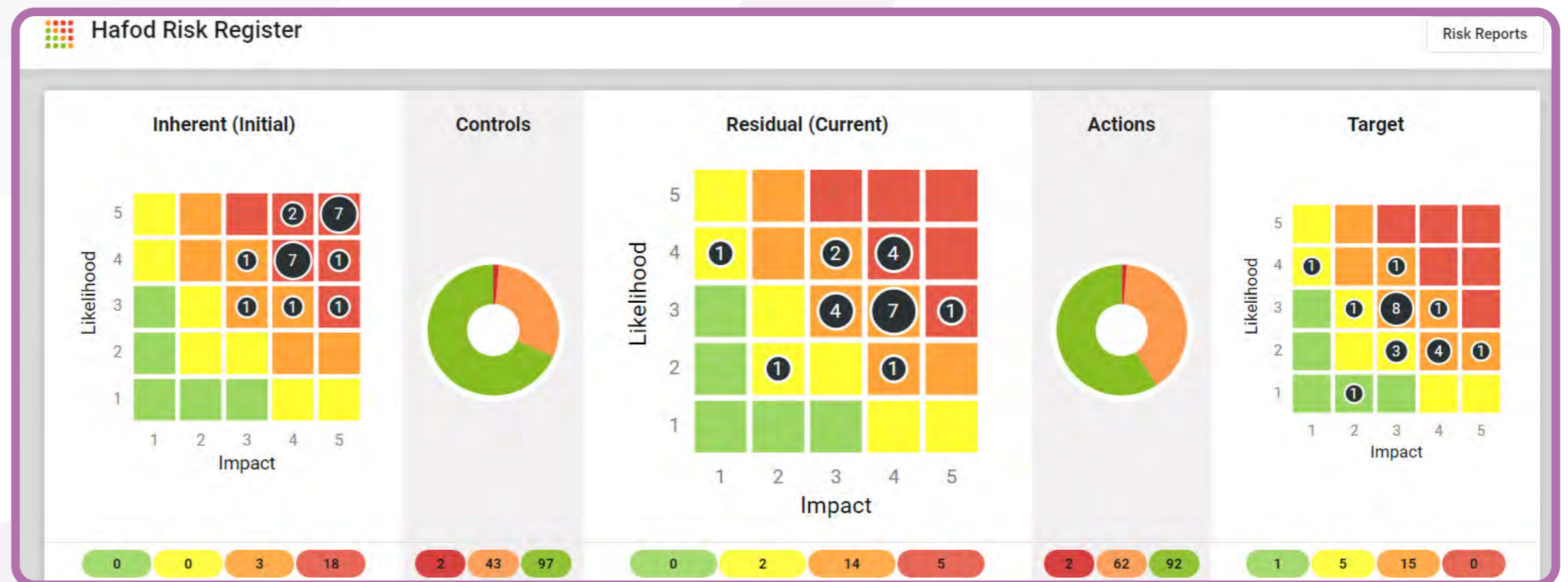
The management of the organisation's investments and cash flows, its banking, money market, capital markets and derivative transactions, and its security portfolio; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

We operate with a clear set of 'early warning indicators' that provides a clear view of the Group's financial risk appetite and how they are utilised as a control in balancing strategic ambitions with continued financial resilience.

The Group continues to invest in new developments through a variety of delivery methods, including traditional grant funded, intermediate grant funded, section 106 and low-cost home ownership. This requires careful monitoring and management of our commitments to ensure external lenders' covenants are not breached.



Our risk management software solution



Value for Money

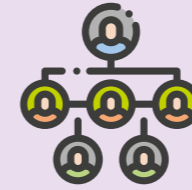
Value for money (VfM) is about delivering services in the most effective and efficient way aligned to our vision of 'improving health, well-being and prosperity in communities by helping to integrate the systems of housing, health, social care and support'.

For Hendre and its entities, value for money is about ensuring that every pound spent makes the best use of resources to deliver the maximum impact possible and that it does so in the pursuit of social objectives that benefit a range of stakeholders.

We see Welsh Government's Regulatory Framework, which states that housing associations must achieve value for money and make the best use of resources, as an opportunity as well as regulatory obligation. With effective governance, management and accountability, we will embed value for money into every aspect of our operations to enable us to address emerging housing, support and social care needs to meet the challenges for 2023 and beyond.

In 2019, our Board agreed our VfM strategy. Within our strategy we have identified objectives in four key areas:

The four key areas are:



To maximise value from our Group structure



To obtain VfM through effective procurement



To understand value to enable us to optimise efficiencies and use resources effectively



To deliver community benefits to our communities

Want to know more?

To read more about our approach and successes with value for money, our 2022 annual report is here:



Landlord compliance statistics

Landlord compliance remains consistent across all areas. Gas and electrical safety are subject to a no access legal process for one property. 2022 saw a focus on first safety in light of the introduction of the Fire Safety Act 2021. This relates to the extension of the Regulatory Reform (Fire Safety) order 2005 to walk-up flats and the requirement to complete six-monthly fire door inspections. This is now being taken forward as a strategic objective and performance reports will include assurance on progress.

Note: Asbestos surveys have all been completed at 100%. However, this is only reflected in the formal KPIs when are in receipt of the physical PDF reports.

Following the implementation of Renting Homes Act Wales (RHA) and the recent enhanced public awareness of some Housing Association properties experiencing extensive damp and mould issues we at Hafod have revisited our own approach to Fitness for Human Habitation (RHA) and any reports of damp concerns across our estate.

We are developing our damp and mould policy using the lessons learnt from the Housing Ombudsman's report and we have a specific maintenance process that identifies, tracks and highlights any properties that are at risk of experiencing damp and mould issues. This proactive approach ensures we are equipped with information and can action and forward plan accordingly to mitigate organisational risk around damp and mould going forward.

Our Board are committed to ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015. [Click here](#) to view our 2023 modern slavery statement.



100% fire risk assessments compliance



99.98% Electrical safety



100% legionella compliance



100% Lifting equipment compliance



99.98% gas safety compliance



90% asbestos compliance

Board, Committee and Executive

The current members of the **Hafod Housing Board** are as follows:

Chair Michael Jones
Vice Chair Teresa Beggs

Other members

Stacey Anastasi**	Farida Aslam**	Moawia Bin-Sufyan	Katherine Howells
Caroline Hughes**	Mutale Merrill**	David Michael	Helen Northmore
Hugh Russell			

Company Secretary

Deputy Company Secretary

Responsible Individual (from 1 July 2022)

Interim Responsible Individual (to 30 June 2022)

Tracey Healey
Simon Mellor
Marc Pullen-James
Jackie Whiller

There have been the following changes to Hafod Housing Board membership since the financial statements for the year ended 31 December 2021 were approved at the Board meeting held on 22 May 2022:

Jonathan Morgan Resigned March 2023

In September 2022, the organisation agreed to move away from a common board structure, this resulted in the following members standing down from the Hafod Housing Board:

Neil Davies Tina Donnelly Dawn Jones David Warrender

**These members were co-opted to the Hafod Housing Board as of 1 June 2023.

Hendre Limited has established the following Group-wide committees:

- Finance, Risk and Audit Committee; this Committee has three independent members: Ronnie Alexander Peter Allbrook (from May 2023) Martin Veale
- Remuneration, Appointments and Governance Committee; this Committee has one independent member: Wyn Lewis (from January 2022)
- Schedule 1 Committee
- Pension Committee, this Committee has one independent member: Allan Jones

The **Executive team** comprises the following senior executives:

Group Chief Executive

Corporate Director - Assets, Customer Strategy and Assurance

Corporate Director - Finance, Investments and Development

Corporate Director - People, Communications and IT

Corporate Director – Housing and Support

Operations Director - Care

Director of Innovation and Partnerships

Jas Bains
Tracey Healey
Simon Mellor
Karen Rosser
Elke Winton
Sherri Sargent
Jamie Smith

The senior executives hold no interest in the shares of Hendre Limited or its subsidiaries. Under the Regulation and Inspection of Social Care (Wales) Act 2016 (the "Act") 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. In order to meet the Act Jackie Whiller was appointed as the interim Responsible Individual in September 2021 and was co-opted on to the Hafod Housing Board. The post was filled by Marc Pullen-James in July 2022, at which point he was co-opted to the Hafod Housing Board and Jackie ceased to be a co-opted member of the board.

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 Benefits Act 2014 and is registered with the Welsh Government (No. L034).

The Registered Office of the Association is St Hilary Court, Copthorne Way, Culverhouse Cross, 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.

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 Hafod Housing and the Group. People admitted to share membership are those who are likely to be candidates for election to the Board, or appointment to the Hafod Housing Board, and will make a substantial contribution to the work and long-term well-being of Hafod Housing 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 Board.

Current obligations of Board members

The Board has ultimate responsibility for the governance of the Association and ultimate control over all aspects of its work to ensure its financial, legal and service obligations are properly fulfilled.

The Board is responsible for setting strategy and directing the Association's affairs, ensuring its long-term success. Day to day leadership and management is delegated to the Chief Executive and through the Executive team.

The core responsibilities of Board members are set out in the board members role description, and terms of reference, as follows:

- 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 fulfils its duties and responsibilities for the proper governance of the organisation including compliance

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

All board and committee members sign a 'Deed of Contract of Services' confirming that they will meet their obligations to the Board and the Association.

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 Association'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.

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 Boards 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 and 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.

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 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.

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, fraud, money laundering and bribery prevention.

Subsequent events

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 and then ratified at the Hendre Board. The annual internal audit programme is determined in annual 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 Association'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.

Annual general meeting

The annual general meeting will be held on 18 September 2023.

Independent auditor's 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 period ended 31 March 2023 which comprise the statement of comprehensive income, the statement of changes to reserves, the statement of financial position, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2023 and of its surplus for the period 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's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the Hafod Housing Association Limited Annual Accounts, 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

We have reviewed the Board's statement on the association's compliance with the Welsh Government circular RSL 02/10 'Internal controls and reporting'. We are not required to express an opinion on the effectiveness of the association's system of internal control.

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.

Opinion on other matters prescribed by the Welsh Government circular RSL 02/10 'Internal controls and reporting'

In our opinion, based on the work undertaken in the course of the audit, with respect to the Board's statement on internal control:

- The Board has provided the disclosures required by the Welsh Government circular RSL 02/10 'Internal controls and reporting'; and
- The statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the boards' report.

We have nothing to report in respect of the following matters in relation to which the Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- The association has not kept proper books of account; 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.

Responsibilities of the Board

As explained more fully in the statement of the board's responsibilities statement set out on page 35, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intends to liquidate the 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the association and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the association is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;

- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the association which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as: tax legislation, pension legislation, 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.

In addition, we evaluated the board's and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to: posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the capitalisation of development expenditure and works to existing properties, development expenditure, investment properties, accounting for S106 properties, defined benefit pension scheme liability and revenue recognition (which we pinpointed to the cut-off assertion) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the board and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

This report is made solely to the association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them 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.



Mazars LLP
Chartered Accountants and Statutory Auditor
90 Victoria Street
Bristol
BS1 6DP

27 September 2023

Financial statements

This section includes our financial statements for the extended financial period ended 31 March 2023 and supporting notes, which detail the financial performance of the various operational activities of the Association.

You can view our income and reserves, financial position, cash flows and financial statements.



Statement of comprehensive income

Period ended 31 March 2023

	Note	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Turnover	3	80,677	63,644
Operating expenditure	3	(70,976)	(55,632)
Surplus on disposal of property, plant and equipment	5	415	397
Operating surplus	3	10,116	8,409
Fair value movement on investment property	17	25	-
Interest receivable	6	636	25
Interest and financing costs	7	(6,963)	(5,696)
Other finance income/(cost)	36	16	(10)
Surplus before tax	3	3,830	2,728
Taxation	12	-	-
Surplus for the period		3,830	2,728
Net actuarial adjustment/gain in respect of pension scheme	37	(479)	1,474
Total comprehensive income for the period		3,351	4,202

Statement of changes to reserves

As at 31 March 2023


	Mar-23 £'000	Dec-21 £'000
At beginning of period	77,533	73,331
Surplus for the period	3,830	2,728
Net actuarial adjustment/gain in respect of pension scheme	(479)	1,474
At end of period	80,884	77,533

Statement of financial position

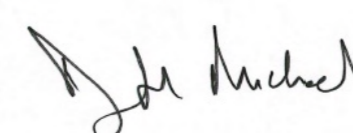
As at 31 March 2023

	Note	Mar-23 £'000	Dec-21 £'000
Fixed assets			
Housing properties	13	378,759	357,263
Intangible assets	15	327	340
Investment Properties	17	52	-
Other property, plant and equipment	16	1,089	967
Homebuy loans	18	10,454	10,731
		<u>390,681</u>	<u>369,301</u>
Current assets			
Inventories	19	228	211
Debtors due after one year	20	12,696	12,907
Debtors due within one year	21	3,534	4,209
Treasury deposits	22	41,520	29,042
Cash at bank and in hand	22	251	452
		<u>58,229</u>	<u>46,821</u>
Creditors: amounts falling due within one year	23	(22,025)	(18,893)
Net current assets		<u>36,204</u>	<u>27,928</u>
Total assets less current liabilities		<u>426,885</u>	<u>397,229</u>
Creditors: amounts falling due after more than one year	24	(346,196)	(320,385)
Defined benefit pension asset	37	195	689
Net assets		<u>80,884</u>	<u>77,533</u>
Capital and reserves			
Called up share capital	29	-	-
Revenue reserves		80,884	77,533
Association's funds		<u>80,884</u>	<u>77,533</u>

The financial statements were approved by the Board on 21 August 2023 and signed on its behalf by:



Chair



Board Member



Secretary

Statement of cash flows

Period ended 31 March 2023

	Note	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Net cash generated from operating activities	a	18,723	14,688
Cash flows from investing activities			
Purchase of property, plant and equipment		(28,172)	(13,125)
Homebuy loans		(202)	(564)
Proceeds from sale of property, plant and equipment		1,216	2,790
Grants received		27,849	14,260
Interest received		636	25
Net cash flows from investing activities		1,327	3,386
Cash flows from financing activities			
Interest paid		(7,428)	(5,726)
New loans		5,349	-
Repayments of borrowings		(5,848)	(2,912)
Inter-company debtors and creditors		154	(519)
Net cash flows from financing activities		(7,773)	(9,157)
Net increase in cash and cash equivalents		12,277	8,917
Cash and cash equivalents at beginning of period		29,494	20,577
Cash and cash equivalents at end of period	b	41,771	29,494

Statement of cash flows

Period ended 31 March 2023

a) Net cash generated from operating activities

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Surplus for the period	3,830	2,728
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	8,962	7,230
Impairment of properties	239	330
Fair value movement on investment property	(25)	-
Increase in inventories	(17)	(129)
Decrease/(increase) in debtors	675	(31)
Increase in creditors	1,918	1,411
Pension costs less contributions payable	15	40
Carrying amount of property, plant & equipment disposals	801	2,393
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	(1,216)	(2,790)
Government grants utilised in the period	(2,786)	(2,165)
Interest payable	6,963	5,696
Interest received	(636)	(25)
Net cash generated from operating activities	18,723	14,688

b) Cash and cash equivalents

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Treasury deposits	41,520	29,042
Cash at bank and in hand	251	452
	41,771	29,494

c) Free cash flow

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Net cash generated from operating activities	18,723	14,688
Interest paid	(7,428)	(5,726)
Interest received	636	25
Component replacements	(6,755)	(2,990)
Purchase of other replacement fixed assets	(714)	(458)
Free cash generated before loan repayments	4,462	5,539
Loans repaid (excluding revolving credit and overdrafts)	(5,848)	(2,912)
Free cash generated after loan repayments	(1,386)	2,627

Statement of cash flows

Period ended 31 March 2023

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

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Increase in cash in the period	12,277	8,917
Cash (inflow)/outflow from inter-company debtors and creditors	(154)	519
Cash outflow from changes in debt	499	2,912
Movement in net debt in the period	12,622	12,348
Net debt at 1 January 2022	(100,667)	(113,015)
Net debt at 31 March 2023	(88,045)	(100,667)

e) Analysis of changes in net debt

	At 1 January 2022 £'000	Cash flows £'000	At 31 March 2023 £'000
Cash and cash equivalents	29,494	12,277	41,771
Inter-company debtors and creditors	4,566	(154)	4,412
Housing loans	(134,727)	499	(134,228)
Net debt	(100,667)	12,622	(88,045)

Notes to the financial statements

Period ended 31 March 2023

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.

b) Other accounting policies

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

2 Significant management judgements and key sources of estimation uncertainty

The 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 on page 48. 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.

Notes to the financial statements

Period ended 31 March 2023

2 Significant management judgements and key sources of estimation uncertainty (continued)

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

i) Investment properties are measured at fair value with any change recognised in surplus in the Statement of Comprehensive Income. A formal external valuation was carried out 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 obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. Variations in these assumptions could significantly impact the liability. The assumptions selected and associated sensitivity analysis are disclosed in note 37.

Notes to the financial statements

Period ended 31 March 2023

3 Turnover, operating surplus and surplus before taxation

	Turnover £'000	Operating costs £'000	Operating surplus / (deficit) £'000	15 months ending Mar-23 Surplus / (deficit) before taxation £'000	12 months ending Dec-21 Surplus / (deficit) before taxation £'000
					Restated
Social housing lettings:					
General needs housing	36,120	27,303	8,817	8,817	7,118
Shared ownership	329	85	244	244	196
Supported housing	11,663	9,819	1,844	1,844	1,506
Other social housing activities:					
Private sector leasing	1,260	1,779	(519)	(519)	(137)
First tranche sales	673	405	268	268	535
Residential care homes	9,981	9,675	306	306	72
Non social housing activities:					
Nursing care homes	16,182	17,427	(1,245)	(1,245)	(952)
Homecare	4,064	4,044	20	20	(186)
	80,272	70,537	9,735	9,735	8,152
Other income and expenditure	405	439	(34)	(34)	(140)
	80,677	70,976	9,701	9,701	8,012
Surplus on disposal of property, plant and equipment				415	397
Operating surplus				10,116	8,409
Interest receivable				636	25
Interest and financing costs				(6,963)	(5,696)
Fair value movement on investment property				25	-
Other finance income/(cost)				16	(10)
Surplus before tax				3,830	2,728

Turnover comprises:

- Rent, fees and service charge income receivable in the period 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 period. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting.

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.

Notes to the financial statements

Period ended 31 March 2023

3 Turnover, operating surplus and surplus before taxation (continued)

Note 3 shows performance for each operational area of the organisation after the allocation of central overheads which are not able to be directly allocated to a particular business area. The method applied has been revised during the period and is now based on turnover, colleague numbers and units in management of each area. The change in method applied was required to ensure a fair allocation of overheads to each area based on their usage of central departments and costs incurred. The 2021 surplus in the table above has been restated under the revised methodology. The table below notes surplus performance under the previous and revised methodologies.

	15 months ended Mar-23 Revised	15 months ended Mar-23 Original	12 months ended Dec-21 Revised	12 months ended Dec-21 Original
	Surplus / (deficit) before taxation	Surplus / (deficit) before taxation	Surplus / (deficit) before taxation	Surplus / (deficit) before taxation
	£'000	£'000	£'000	£'000
Social housing lettings:				
General needs housing	8,817	6,456	7,118	5,184
Shared ownership	244	223	196	178
Supported housing	1,844	2,176	1,506	1,770
Other social housing activities:				
Private sector leasing	(519)	(601)	(137)	(212)
First tranche sales	268	268	535	535
Residential care homes	306	1,010	72	728
Non social housing activities:				
Nursing care homes	(1,245)	(104)	(952)	(64)
Homecare	20	307	(186)	33
	9,735	9,735	8,152	8,152

Notes to the financial statements

Period ended 31 March 2023

4 Particulars of income and expenditure

	Social housing lettings			Other social housing activities			Non social housing activities		15 months ended Mar-23 Total £'000	12 months ended Dec-21 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	32,312	302	6,144	1,229	-	9,806	15,925	4,005	69,723	51,936
Service charges	1,392	27	1,743	30	-	-	-	-	3,192	2,704
Revenue grants	-	-	3,332	-	-	-	-	-	3,332	2,406
Amortised government grant	2,416	-	369	1	-	-	-	-	2,786	2,165
COVID-19 grants	-	-	75	-	-	175	257	59	566	2,336
Sale proceeds	-	-	-	-	673	-	-	-	673	1,878
	36,120	329	11,663	1,260	673	9,981	16,182	4,064	80,272	63,425
Operating costs										
Management and service costs	11,478	62	7,335	1,034	-	8,983	15,977	4,044	48,913	37,349
Maintenance	9,293	17	1,321	542	-	492	743	-	12,408	9,867
Bad debts	93	6	68	156	-	(3)	135	-	455	(95)
Deficit on replacement of property components	142	-	55	-	-	-	42	-	239	455
Depreciation of properties	6,297	-	1,040	47	-	203	530	-	8,117	6,354
Cost of sales	-	-	-	-	405	-	-	-	405	1,343
	27,303	85	9,819	1,779	405	9,675	17,427	4,044	70,537	55,273
Operating surplus / (deficit)	8,817	244	1,844	(519)	268	306	(1,245)	20	9,735	8,152
Rent loss from voids (memorandum note)	307	-	263	106	-	1,104	900	-	2,680	3,622

Surplus on first tranche sales comprises of four sales (2021: eleven).

Included in the prior period in deficit on replacement on components is a £84k provision for the disposal of St Isan Care Home, a 41 bed residential care home in Cardiff which was closed in March 2022.

Notes to the financial statements

Period ended 31 March 2023

5 Surplus on disposal of property, plant and equipment

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Sale proceeds	1,216	2,790
Cost of sales	(801)	(2,393)
	<u>415</u>	<u>397</u>

Surplus on disposal of property, plant and equipment comprises of 18 (2021:23) traditional staircasing sales and disposals resulting in a surplus of £415k (2021: £397k).

6 Interest receivable

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Bank interest receivable	<u>636</u>	<u>25</u>

7 Interest and financing costs

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Bank loans	<u>6,963</u>	<u>5,696</u>

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.

Notes to the financial statements

Period ended 31 March 2023

8 Surplus on ordinary activities before taxation

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Surplus on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment	8,722	6,775
Amortised government grant	(2,786)	(2,165)
Surplus on disposal of property, plant and equipment	(415)	(397)
Audit fees:		
- Statutory audit	40	40
- Audit related assurance services	4	4
Operating lease rentals	<u>2,104</u>	<u>2,112</u>

9 Units in management

	Dec-21 Number	Adjustments	Additions	Disposals	Mar-23 Number
General needs housing	4,522	13	75	(4)	4,606
Shared ownership	97	(14)	-	(2)	81
Supported housing	485	4	-	(44)	445
Private sector leasing and lettings	128	1	-	(17)	112
Residential care homes	235	-	-	(41)	194
Nursing care homes	239	-	-	-	239
Homebuy	345	(2)	4	(14)	333
Leaseholders	196	(36)	-	1	161
	<u>6,247</u>	<u>(34)</u>	<u>79</u>	<u>(121)</u>	<u>6,171</u>

In addition to bed spaces and units in management the Association also provides floating support, tenant support and homecare services to 706 (2021: 1076) clients.

10 Employee information

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

	Mar-23 Number	Dec-21 Number
The average number of staff employed during the period was as follows:	1,210	1,296
The total number of staff employed at the end of the period was:	1,165	1,285

The total costs for the staff employed was as follows:

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Wages and salaries	30,034	23,917
Social security costs	2,429	1,949
Pension costs	1,433	1,048
	<u>33,896</u>	<u>26,914</u>

Notes to the financial statements

Period ended 31 March 2023

10 Employee information (continued)

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 period end as a result of their service, including holiday pay and redundancy. The total accrued as at 31 March 2023 was £424,800 (2021: £505,703). 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 period end were £324,091 (2021: £152,248).

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 on pages 34.

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 for the 15 month period to 31 March 2023 (2021: 12 months).

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Emoluments	955	772
Pension contributions	94	76
Total emoluments	1,049	848

Emoluments payable to the Group Chief Executive Officer for the 15 month period to 31 March 2023 (2021: 12 months).

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
Emoluments	182	142
Pension contributions	21	15
Total emoluments	203	157

Notes to the financial statements

Period ended 31 March 2023

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
£20,001 - £30,000	-	1
£30,001 - £40,000	-	-
£40,001 - £50,000	-	-
£50,001 - £60,000	-	-
£60,001 - £70,000	-	1
£70,001 - £80,000	-	3
£80,001 - £90,000	2	1
£90,001 - £100,000	1	-
£100,001 - £110,000	1	1
£110,001 - £120,000	1	-
£120,001 - £130,000	1	1
£130,001 - £140,000	-	-
£140,001 - £150,000	1	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.

Notes to the financial statements

Period ended 31 March 2023

13 Housing properties

	Completed properties £'000	Under construction £'000	Completed shared ownership £'000	15 months ended Mar-23 Total £'000	12 months ended Dec-21 Total £'000
Cost					
At beginning of period	402,375	17,594	2,492	422,461	414,755
Additions to properties in the period	1,896	20,484	-	22,380	9,871
Transfer of properties to Hendre Limited	-	-	-	-	(5,400)
Transfer to Investment Property	(34)	-	-	(34)	-
Section 106 agreements and donated land	1,468	-	-	1,468	605
Schemes completed in the period	9,815	(9,815)	-	-	-
Components replaced in the period	6,565	-	-	6,565	4,412
Disposal of properties in the period	(322)	-	(71)	(393)	(521)
Disposal of components in the period	(1,078)	-	-	(1,078)	(940)
Impairment of properties	-	(239)	-	(239)	(330)
Reclassification of assets from Homebuy	34	-	-	34	9
At end of period	420,719	28,024	2,421	451,164	422,461
Depreciation					
At beginning of period	65,198	-	-	65,198	60,019
Charge for the period	8,117	-	-	8,117	6,354
Transfer of properties to Hendre Limited	-	-	-	-	(666)
Transfer to Investment Property	(7)	-	-	(7)	-
Disposal of properties in the period	(64)	-	-	(64)	(25)
Disposal of components in the period	(839)	-	-	(839)	(484)
At end of period	72,405	-	-	72,405	65,198
Net book value					
At end of period	348,314	28,024	2,421	378,759	357,263
At beginning of period	337,177	17,594	2,492	357,263	354,736

In addition to the components replaced in the period, a further £1.8m was spent on major repairs (excluding overheads) and has been written off to the statement of comprehensive income (2021: £1.9m). Physical adaptation works (PAG's) and buy back of properties capitalised in the period amounted to £1.4m (2021: £1.2m).

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 period amounted to £0.6m (2021: £0.5m). 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 period amounted to £0.3m (2021: 0.2m) and are included in the components replaced in the period above.

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.

Notes to the financial statements

Period ended 31 March 2023

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 period following the property entering into management. Depreciation on capitalised components is charged from the beginning of the financial period 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
Photovoltaic Panels	25 years	25 years
External Wall Insulation	30 years	30 years
Lifts	20 years	20 years
Physical adaptations	20 years	n/a
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 (EUV-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.

Notes to the financial statements

Period ended 31 March 2023

14 Impairment review (continued)

An impairment provision which was provided in the prior period financial statements is being retained due to the ongoing uncertainty around the Former Cowbridge Grammar School where the Association is contractually committed to continue with the planning process. An impairment loss has been recorded in respect of the Leckwith Car Sales development site where the original contractor has gone into administration. While the development is now progressing with a new contractor, costs have increased for which there has been some support offered by WG through additional grant. However, based on a re-assessment of the financial viability of the development the calculations indicate an NPV deficit and so a provision has been made to recognise the expected loss on the site at the earliest opportunity.

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

	15 months ended Mar-23 Total £'000	12 months ended Dec-21 Total £'000
Cost		
At beginning of period	470	331
Additions during period	113	139
At end of period	583	470
Depreciation		
At beginning of period	130	51
Charge for period	126	79
At end of period	256	130
Net book value		
At end of period	327	340
At beginning of period	340	280

Intangible assets relates to computer software 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.

Notes to the financial statements

Period ended 31 March 2023

16 Other property, plant and equipment

	Service equipment £'000	Computers, furniture, vehicles and equipment £'000	15 months ended Mar-23 Total £'000	12 months ended Dec-21 Total £'000
Cost				
At beginning of period	1,113	4,487	5,600	5,281
Additions during period	26	575	601	319
At end of period	1,139	5,062	6,201	5,600
Depreciation				
At beginning of period	758	3,875	4,633	4,291
Charge for period	70	409	479	342
At end of period	828	4,284	5,112	4,633
Net book value				
At end of period	311	778	1,089	967
At beginning of period	355	612	967	990

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
f Equipment, furniture and fittings	4 - 10 years
Motor vehicles	3 years

17 Investment property

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
At beginning of period	-	-
Transfer from housing properties	27	-
Fair value movement on investment properties	25	-
At end of period	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. During the 15 month period to 31 March 2023 a property was moved into investment property to reflect the change in use. A commercial valuation of the property was undertaken.

Notes to the financial statements

Period ended 31 March 2023

18 Homebuy loans

Home Buy loans relate to properties which the Association has funded under the Home Buy 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.

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
At beginning of period	10,731	10,915
Additions	202	564
Disposals	(445)	(739)
Reclassification of assets to general needs	(34)	(9)
At end of period	<u>10,454</u>	<u>10,731</u>

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-23 £'000	Dec-21 £'000
Housing properties	<u>228</u>	<u>211</u>

Inventories consists of two low cost home ownership properties awaiting sale (2021: two properties).

20 Debtors due after more than one year

	Mar-23 £'000	Dec-21 £'000
Loan to Hendre Limited	5,000	5,000
Housing Finance Grant	7,581	7,792
CoCo Debt	115	115
	<u>12,696</u>	<u>12,907</u>

As at 31 March 2023, Hendre Limited was in receipt of a public benefit entity concessionary loan of £5.0m from the Association (2021: £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.

Notes to the financial statements

Period ended 31 March 2023

20 Debtors due after more than one period (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-23 £'000	Dec-21 £'000
Arrears of rent and service charges	2,796	2,715
Less: provision for bad and doubtful debts	(1,607)	(1,409)
	<u>1,189</u>	<u>1,306</u>
Housing Finance Grant	545	545
Trade debtors	477	414
Other debtors and prepayments	1,323	1,944
Inter-company debtors	-	-
	<u>3,534</u>	<u>4,209</u>

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-23 £'000	Dec-21 £'000
Treasury deposits:		
Overnight deposit	14,520	5,042
32 days deposit	13,000	10,000
35 days deposit	14,000	14,000
	<u>41,520</u>	<u>29,042</u>
Cash at bank and in hand	251	452
	<u>41,771</u>	<u>29,494</u>

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 2023, £789k related to other members of the Group (2021: £413k).

Notes to the financial statements

Period ended 31 March 2023

23 Creditors: amounts falling due within one year

	Mar-23 £'000	Dec-21 £'000
Revenue grants	34	13
Housing loans (see note 25)	3,182	3,252
Interest on housing loans	374	839
Government grants (see note 26)	2,337	2,229
Capital expenditure - properties	2,068	820
Capital expenditure - components	1,801	1,991
Capital retentions greater than 90 days	669	240
Trade creditors	2,638	1,873
Other taxation and social security	2,121	1,834
Other creditors and accruals	6,213	5,368
Inter-company creditors	588	434
	<u>22,025</u>	<u>18,893</u>

Included in other creditors and accruals is a dilapidation provision of £80k 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-23 £'000	Dec-21 £'000
Housing loans (see note 25)	131,046	131,475
Government grants (see note 26)	210,260	183,723
Recycled capital grant fund (see note 27)	1,889	2,031
Homebuy grants (see note 28)	3,001	3,156
	<u>346,196</u>	<u>320,385</u>

25 Housing loans

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

	Mar-23 £'000	Dec-21 £'000
Repayable by instalments due as follows:		
Between one and two years	4,314	3,593
Between two and five years	8,128	12,313
After five years	118,604	115,569
	<u>131,046</u>	<u>131,475</u>
Within one year	3,182	3,252
	<u>134,228</u>	<u>134,727</u>

As part of the Welsh Government's 'Land for Housing' initiative, the Association received a public benefit entity concessionary loan of £2.9m during 2020. The loan was specifically used for the acquisition of land and is repayable when construction of the scheme begins or within five years, whichever is earlier. This loan has been fully repaid at 31 March 2023. A £1m interest free loan was received from Welsh Government during the period repayable in March 2025.

Notes to the financial statements

Period ended 31 March 2023

26 Government grants

	Completed properties £'000	Under construction £'000	Completed shared ownership £'000	15 months ended Mar-23 Total £'000	12 months ended Dec-21 Total £'000
At beginning of period	193,526	18,101	1,195	212,822	201,977
Receipts	1,050	27,043	-	28,093	14,191
Transfer of properties to Hendre Limited	-	-	-	-	(3,891)
Section 106 agreements and donated land	1,466	-	-	1,466	605
Schemes completed in period	4,635	(4,635)	-	-	-
Disposal of properties	(133)	-	(26)	(159)	(70)
Reclassification	-	-	-	-	10
At end of period	<u>200,544</u>	<u>40,509</u>	<u>1,169</u>	<u>242,222</u>	<u>212,822</u>
Amortisation					
At beginning of period	26,598	-	272	26,870	25,019
Amortised to statement of comprehensive income	2,771	-	15	2,786	2,165
Transfer of properties to Hendre Limited	-	-	-	-	(304)
Disposal of properties	(26)	-	(5)	(31)	(10)
At end of period	<u>29,343</u>	<u>-</u>	<u>282</u>	<u>29,625</u>	<u>26,870</u>
Net book value					
At end of period	<u>171,201</u>	<u>40,509</u>	<u>887</u>	<u>212,597</u>	<u>185,952</u>
At beginning of period	<u>166,928</u>	<u>18,101</u>	<u>923</u>	<u>185,952</u>	<u>176,958</u>
Due within one year (see note 23)				2,337	2,229
Due after more than one year (see note 24)				210,260	183,723
Total government grants				<u>212,597</u>	<u>185,952</u>

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

	15 months ended Mar-23 £'000	12 months ended Dec-21 £'000
At beginning of period	2,031	1,931
Inputs to recycled capital grant fund	313	233
Recycling of grant	(455)	(133)
At end of period	<u>1,889</u>	<u>2,031</u>

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.

Notes to the financial statements

Period ended 31 March 2023

28 Homebuy grants

	15 months ended Mar-23	12 months ended Dec-21
	£'000	£'000
At beginning of period	3,156	3,329
Disposals	(155)	(163)
Reclassification	-	(10)
At end of period	<u>3,001</u>	<u>3,156</u>

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

	15 months ended Mar-23	12 months ended Dec-21
	£	£
Shares of £1 each fully paid and issued at par		
At beginning of period	26	28
Shares issued during the period	4	1
Shares redeemed/(forfeited) during the period	(3)	(3)
At end of period	<u>27</u>	<u>26</u>

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.

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-23	Dec-21
	£	£
Inter-company loan to Hendre Limited (see note 20)	5,000	5,000
Rent arrears (see note 21)	1,189	1,306
Trade debtors (see note 21)	477	414
Inter-company debtors (see note 21)	-	-
Cash and cash equivalents (see note 22)	41,771	29,494
	<u>48,437</u>	<u>36,214</u>

Notes to the financial statements

Period ended 31 March 2023

30 Financial instruments (continued)

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-23	Dec-21
	£'000	£'000
Housing Finance Grant (see notes 20 and 21)	8,126	8,337
CoCo Debt (see note 20)	115	115
	<u>8,241</u>	<u>8,452</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.

	Mar-23	Dec-21
	£'000	£'000
Interest on housing loans (see note 23)	374	839
Capital expenditure - properties for letting (see note 23)	2,068	820
Capital expenditure - replacement components (see note 23)	1,801	1,991
Capital retentions greater than 90 days (see note 23)	669	240
Trade creditors (see note 23)	2,638	1,873
Inter-company creditors (see note 23)	588	434
	<u>8,138</u>	<u>6,197</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-23	Dec-21
	£'000	£'000
Housing loans (see note 23 and 25)	134,228	134,727

Interest income and expense

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

	15 months ended Mar-23	12 months ended Dec-21
	£'000	£'000
Interest receivable	636	25
Interest and financing costs	(6,963)	(5,696)
	<u>(6,327)</u>	<u>(5,671)</u>

Notes to the financial statements

Period ended 31 March 2023

31 Capital commitments

	Mar-23 £'000	Dec-21 £'000
Expenditure contracted less certified	45,103	18,498
Expenditure authorised by the Board but not contracted	2,744	40,303
	<u>47,847</u>	<u>58,801</u>

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

32 Contingent liabilities

The Association is not aware of any contingent liabilities at the end of the period.

33 Operating leases

At 31 March 2023 the Association had total commitments under operating leases in respect of leased properties, office premises, equipment and vehicles as follows:

	Mar-23 £'000	Dec-21 £'000
Payments due:		
No later than one year	2,104	2,112
Later than one year and not later than 5 years	7,577	6,166
Over 5 years	7,231	10,497
	<u>16,912</u>	<u>18,775</u>

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

Notes to the financial statements

Period ended 31 March 2023

34 Related party transactions

Transactions between members of the Hendre Group 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 Sylfaen £'000	Yellow Wales £'000
Registered Social Landlord	Hendre Limited	-	488	-	-	-
	Hafod Housing Association Limited	-	-	-	-	-
Non-registered	Hafod Resources Limited	-	-	-	-	-
	Foundation Housing Tai Sylfaen	-	-	-	-	-
	Yellow Wales	-	-	-	-	-

Hendre Limited provides a landlord and facilities function to Hafod Housing Association Limited. These costs are recharged in full as at 31 March 2023.

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

As at 31 March 2023, Hendre Limited has a public entity concessionary loan with Hafod Housing Association Limited (£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.

Notes to the financial statements Period ended 31 March 2023

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-23 £'000	Dec-21 £'000
Aggregate reserves	15	15

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-23 £'000	Dec-21 £'000
Return on pension scheme assets	246	122
Interest on pension scheme liabilities	(230)	(132)
	16	(10)

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.

Notes to the financial statements Period ended 31 March 2023

37 Pension scheme (continued)

In respect of employees who are members of Torfaen Local Government Pension Scheme, the Association operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Association. Pension scheme assets are measured using market values (in respect of quoted securities this is current bid price). Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The latest full triennial actuarial valuation was carried out at 31 March 2022. For the purposes of these Financial Statements the valuation was updated, by a qualified independent actuary, to comply with Section 28 (Employee Benefits) of FRS 102.

The contribution rate payable by the Association for all its employees in the scheme for the fifteen months to 31 March 2023 was 30.5% (2021: 30.5%). Contributions paid during the period were £56,713 (2021: £51,310), no costs were paid in respect of early retirement benefits (2021: nil). The company expects to contribute approximately £nil to the scheme in the next financial period.

As a consequence of the reduction in contributions, in accordance with Section 28 (Employee Benefits) of FRS102, the pension scheme surplus is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and in the statement of comprehensive income.

The main assumptions used in this valuation were:

	Mar-23 %	Dec-21 %
Pension Increase Rate (CPI)	3.0	3.2
Salary Increase Rate	3.5	2.9
Discount rate	4.8	1.9

Mortality assumptions:

The following standard mortality tables were used in the evaluation:

Mortality assumptions

Life expectancy is based on CMI 2021 model, with a 10% weighting of 2021 (and 2020) 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. 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)

- of a male (female) future pensioner (in 20 years time)	22.0 (24.2) years
- of a male (female) current pensioner	19.3 (22.8) 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 are not intended to be realised in the short term and may be subject to significant change before they are realised; and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain; therefore the asset recognised below has been subject to additional calculations by the pension scheme actuary and reflects an adjustment to arrive at an asset ceiling value which is considered to be recoverable through contribution reductions in accordance with FRS 102 and IFRIC 14. These are shown below:

Notes to the financial statements
Period ended 31 March 2023

37 Pension scheme (continued)

	Value at 31-Mar-23 £'000	Value at 31-Dec-21 £'000
Equities	7,691	8,274
Government bonds	1,655	1,885
Property	292	314
Cash (including others)	98	-
Total market value of assets	9,736	10,473
Present value of scheme liabilities	(6,858)	(9,784)
Adjustment to recognise ceiling value of net asset	(2,683)	
Net pension asset	195	689

Movement in surplus for the period

	Mar-23 £'000	Dec-21 £'000
Surplus/(deficit) at the beginning of period	689	(745)
Current service cost	(88)	(81)
Past service cost	-	-
Contributions paid	57	51
Other finance income/(cost)	16	(10)
Actuarial adjustment / gain	(479)	1,474
Surplus at the end of period	195	689

Movement in plan assets for the period

	Mar-23 £'000	Dec-21 £'000
Assets at the beginning of period	10,473	9,502
Return on assets	246	122
Actuarial (loss)/gain	(723)	1,125
Employer contributions	57	51
Employee contributions	11	10
Benefits paid	(328)	(337)
Assets at the end of period	9,736	10,473

Movement in plan liabilities for the period

	Mar-23 £'000	Dec-21 £'000
Liabilities at the beginning of period	9,784	10,247
Service cost	88	81
Interest cost	230	132
Employee contributions	11	10
Actuarial gain	(2,927)	(349)
Benefits paid	(328)	(337)
Liabilities at the end of period	6,858	9,784

Notes to the financial statements
Period ended 31 March 2023

37 Pension scheme (continued)

Analysis of other pension costs charged in arriving at operating surplus

	Mar-23 £'000	Dec-21 £'000
Current service cost	(88)	(81)
Past service cost	-	-
Total service cost	(88)	(81)

Analysis of amounts included in other finance income

	Mar-23 £'000	Dec-21 £'000
Return on pension scheme assets	246	122
Interest on pension scheme liabilities	(230)	(132)
	16	(10)

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

	Mar-23 £'000	Dec-21 £'000
Actuarial (loss)/gain on scheme assets	(723)	1,125
Actuarial gain on scheme liabilities	2,927	349
Adjustment to recognise ceiling value of net asset	(2,683)	-
Net actuarial adjustment / gain recognised in the statement of comprehensive income	(479)	1,474

Sensitivity analysis

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

Change in assumptions at 31 March 2023	Approximate % increase to employer liability	Approximate monetary amount (£'000)
0.1% decrease in real discount rate	1%	101
1 year increase in member life expectancy	4%	274
0.1% increase in the salary increase rate	0%	2
0.1% increase in the pension increase rate	1%	101

b) Other pension arrangements

As at 31 March 2023 the Association had active members in four other pension schemes (in addition to the Torfaen Local Government Pension Scheme). During the 15 month period to 31 March 2023 the active schemes were: National Employment Savings Trust (NEST); a group personal pension plan with AEGON which was closed and transferred to a Self-Invested Personal Plan (SIPP) with AEGON in February 2022; 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. The Scottish Widows and the Standard Life schemes are closed to new members. 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.

Notes to the financial statements

Period ended 31 March 2023

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

Word cloud background with terms such as: Learning, Housing, Vision, Caring, Support, Social care, Partnership, Digital transformation, Memorability, Honesty, Useful, and others.

