



The 2018 Financial Statements of Welsh Housing Associations

Datganiadau Ariannol 2018 Cymdeithasau Tai Cymru

**Community Housing Cymru
Cartrefi Cymunedol Cymru**



Noddir gan
Lywodraeth Cymru
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Welsh Government

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Foreword

We know that good housing makes a real difference to people's lives. A safe, warm and affordable home can act as a springboard to accessing employment, skills, education and training as well as providing security and better health outcomes. Increasingly, housing organisations see their role in a much broader community sense, not solely in terms of housing provision. This report demonstrates the extensive investment of housing associations in Wales which supports successful communities and places.

The Welsh Government and housing associations share an ambition that everyone deserves a decent home, a home that is affordable and of good quality. We also share an ambition for social housing to be open to a wider range of households and that it should form the bedrock of local communities. To do this we recognise that we must build at scale and pace to meet growing demand and changing demographics. Often this means embracing innovative solutions to address the market and geographical differences across Wales. Housing associations are actively striving to regenerate areas, create jobs, training and apprenticeships and help provide a sustainable route out of poverty. They are enabling and supporting their residents to lead healthy, independent and fulfilling lives.

Rhagair

Gwyddom fod cartrefi da yn gwneud gwahaniaeth go iawn i fywydau pobl. Gall cartref diogel, cynnes a fforddiadwy fod yn sbardun i sicrhau cyflogaeth, sgiliau, addysg a hyfforddiant yn ogystal â rhoi sicrwydd a gwell deilliannau iechyd. Yn gynyddol, mae sefydliadau tai yn gweld eu rôl mewn ystyr gymunedol llawer ehangach, nid yn unig yn nhermau darpariaeth tai. Mae'r adroddiad hwn yn dangos buddsoddiad helaeth cymdeithasau tai yng Nghymru sy'n cefnogi cymunedau a lleoedd llwyddiannus.

Mae Llywodraeth Cymru a chymdeithasau tai yn rhannu uchelgais fod pawb yn haeddu cartref gweddus, cartref sy'n fforddiadwy ac o ansawdd da. Rydym hefyd yn rhannu uchelgais i dai cymdeithasol fod ar gael i ystod ehangach o aelwydydd ac y dylai ffurfio conglfaen cymunedau lleol. I wneud hyn sylweddolwn fod yn rhaid i ni adeiladu ar raddfa a chyflymder i ateb galw cynyddol a newid mewn demograffeg. Yn aml mae hyn yn golygu croesawu datrysiadau blaengar i fynd i'r afael â'r gwahaniaethau marchnad a daearyddol ledled Cymru. Mae cymdeithasau tai yn mynd ati i adfywio ardaloedd, creu swyddi, hyfforddiant a phrentisiaethau a helpu rhoi llwybr cynaliadwy allan o dlodi. Maent yn galluogi ac yn cefnogi eu preswylwyr i arwain bywydau iach, annibynnol a chrwn.

The Welsh Government has joined with Community Housing Cymru (CHC) and the Welsh Local Government Association (WLGA) in a Housing Supply Pact to help deliver 20,000 affordable homes. Housing associations have committed to delivering at least 12,500 of these by 2021, representing an increase on prior targets and a clear signal they are keen to embrace the challenge of meeting acute housing needs in Wales. This Pact also promises to create thousands of training and employment opportunities and apprenticeships during the current term of the Assembly. The 2018 financial performance shows the sector in Wales continues to act as a crucial economic stimulus. During the year CHC members directly contributed £1.2bn to the economy, with 84% of this expenditure retained in Wales. The indirect supplier effect alongside this meant the total contribution to the economy was over £2bn. And it's not just about housing, the sector makes a significant contribution to employment by directly providing over 9,000 full time equivalent jobs and, for every direct job provided, nearly 1.5 positions are supported elsewhere in the Welsh economy equating to 23,000 jobs.

Housing associations and Welsh Government want to see a Wales where **'good housing is a basic right for all'**. We share a commitment to the supply of good quality, affordable housing and building communities because we know it makes a real difference to people's lives. We know that to achieve our shared vision housing associations need to play their part building 75,000 homes by 2036. To realise this ambition the sector needs strong financial foundations with resilient year-on-year performance.

Mae Llywodraeth Cymru wedi ymuno gyda Cartrefi Cymunedol Cymru (CHC) a Chymdeithas Llywodraeth Leol Cymru mewn Cytundeb Cyflenwi Tai i helpu darparu 20,000 o gartrefi fforddiadwy. Mae cymdeithasau tai wedi ymrwymo i ddarparu o leiaf 12,500 o'r rhain erbyn 2021, gan fod yn gynydd ar dargedau blaenorol ac yn arwydd clir eu bod yn awyddus i goleddu'r her o ddiwallu anghenion tai dybryd Cymru. Mae'r Cytundeb hefyd yn addo creu miloedd o gyfleoedd hyfforddiant a chyflogaeth a phrentisiaethau yn ystod tymor cyfredol y Cynulliad. Dengys perfformiad ariannol 2018 fod y sector yng Nghymru yn parhau i weithredu fel ysgogiad economaidd hollbwysig. Yn ystod y flwyddyn cyfrannodd aelodau CHC £1.2bn yn uniongyrchol i'r economi gan gadw 84% o'r gwariant hwn yng Nghymru. Mae'r effaith cyflenwr anuniongyrchol wrth ochr hyn yn golygu fod cyfanswm y cyfraniad i'r economi dros £2bn. Ac nid yw'r cyfan am dai, mae'r sector yn gwneud cyfraniad sylweddol at gyflogaeth drwy ddarparu dros 9,000 o swyddi cyfwerth ag amser-llawn yn uniongyrchol ac, am bob swydd uniongyrchol a ddarparwyd, cafodd bron 1.5 o swyddi eu cefnogi mewn man arall yn economi Cymru yn gyfwerth â 23,000 o swyddi.

Mae cymdeithasau tai a Llywodraeth Cymru eisiau gweld Cymru lle mae **'cartref da yn hawl sylfaenol i bawb'**. Rhannwn yr ymrwymiad i'r cyflenwad o dai fforddiadwy, ansawdd da ac adeiladu cymunedau oherwydd y gwyddom eu bod yn gwneud gwahaniaeth go iawn i fywydau pobl. Gwyddom fod angen i gymdeithasau tai chwarae eu rhan er mwyn cyflawni'r weledigaeth hon a rannwn i adeiladu 75,000 o gartrefi erbyn 2036. Mae'r sector angen sylfeini ariannol cryf gyda pherfformiad cydnorth flwyddyn-ar-flwyddyn i wireddu'r uchelgais yma.

The Affordable Housing Review, commissioned by Welsh Government, provides an opportunity to create a framework which enables housing associations, working with their partners in health, local government and other local services, to scale up the sector's investment in communities, to regenerate areas, to build the homes we need and to provide excellent services. Our strong financial base, coupled with a positive operating environment gives housing associations a unique opportunity to attract private investment and make every pound go further to make real differences in communities throughout Wales.

The sector is well-placed to continue its successful track record of attracting private finance in order to develop more homes. Generation of cash-backed surpluses is a key element of this continued financial resilience allowing housing associations to lever in further significant borrowings that, when used alongside essential grant funding receivable from Welsh Government, creates new homes and provides substantial benefits to the people, communities and economy of Wales.

Mae'r Adolygiad o Dai Fforddiadwy, a gomisiynwyd gan Lywodraeth Cymru, yn rhoi cyfle i greu fframwaith sy'n galluogi cymdeithasau tai, gan weithio gyda'u partneriaid mewn iechyd, llywodraeth leol a gwasanaethau lleol eraill, i gynyddu buddsoddiad y sector mewn cymunedau, i adfywio ardaloedd, i adeiladu'r cartrefi rydym eu hangen ac i ddarparu gwasanaethau ardderchog. Mae ein sylfaen ariannol cryf, ynghyd ag amgylchedd gweithredu cadarnhaol, yn rhoi cyfle unigryw i gymdeithasau tai ddenu buddsoddiad preifat a gwneud i bob punt fynd ymhellach i wneud gwahaniaeth gwirioneddol mewn cymunedau ledled Cymru.

Mae'r sector mewn lle da i barhau ei hanes llwyddiannus o ddenu cyllid preifat er mwyn datblygu mwy o gartrefi. Mae cynhyrchu gwargedion a gefnogir gan arian yn elfen allweddol o'r cydnerthedd ariannol parhaus hwn sy'n galluogi cymdeithasau tai i ysgogi benthychiadau sylweddol pellach sydd, pan gânt eu defnyddio wrth ochr cyllid grant hanfodol a dderbynnir gan Lywodraeth Cymru, yn creu cartrefi newydd ac yn darparu buddion sylweddol i bobl, cymunedau ac economi Cymru.



**Julie James, Minister for Housing and Local Government,
and Andrew Martyn-Johns, Chair of Community Housing Cymru**

**Julie James, Gweinidog Tai a Llywodraeth Leol
ac Andrew Martyn-Johns, Cadeirydd Cartrefi Cymunedol Cymru**



02

**Executive
Summary**

**Crynodeb
Gweithredol**

Executive Summary

This report on the affordable housing sector in Wales is co-produced by Community Housing Cymru (CHC) and the Welsh Government. CHC is the representative body for Welsh housing associations with members providing homes and housing-related services across Wales. This report is derived from the audited financial statements of the largest 33 housing associations and provides information and commentary on the financial position of the sector for the year ended 31st March 2018.

The 2018 Global Accounts demonstrate that the sector continues to be financially robust with a clear ongoing commitment and capability to support the provision of quality, affordable housing across Wales, stimulate the Welsh economy and help mitigate the impact of poverty on people's lives. The sector as a collective group of organisations has posted a positive financial result recording increases in turnover and reserves, attracting additional debt into the sector whilst improving the free cash flow position and maintaining a healthy operating surplus for the period. Continuing accounting surpluses are essential to support the resilience and growth of the sector; funding maintenance of existing homes and underpinning essential investment to build new ones.

Crynodeb Gweithredol

Caiff yr adroddiad hwn ar y sector tai fforddiadwy yng Nghymru ei gynhyrchu ar y cyd gan Cartrefi Cymunedol Cymru (CHC) a Llywodraeth Cymru. CHC yw'r corff sy'n cynrychioli cymdeithasau tai Cymru gydag aelodau'n darparu cartrefi a gwasanaethau cysylltiedig â thai ledled Cymru. Mae'r adroddiad hwn yn deillio o ddatganiadau ariannol archwiliedig y 33 cymdeithas tai fwyaf ac yn rhoi gwybodaeth a sylwebaeth ar sefyllfa ariannol y sector am y flwyddyn a ddiweddodd 31 Mawrth 2018.

Dengys Cyfrifon Cyhoeddus 2018 fod y sector yn parhau i fod yn ariannol gadarn gydag ymrwymiad a galluedd clir a pharhaus i gefnogi darpariaeth tai ansawdd uchel a fforddiadwy ledled Cymru, ysgogi economi Cymru a helpu i liniaru effaith tlodi ar fywydau pobl. Mae'r sector fel grŵp cyfunol o sefydliadau wedi nodi canlyniad ariannol cadarnhaol gyda chynnydd mewn trosiant a chronfeydd wrth gefn, denu dyled ychwanegol tra'n gwella sefyllfa llif arian rhydd a cynnal gwarged gweithredu iach ar gyfer y cyfnod. Mae gwargedion cyfrifeg parhaus yn hanfodol i gefnogi cydnherthedd a thwf y sector, ariannu cynnal a chadw cartrefi presennol a bod yn sail i fuddsoddiad hanfodol i adeiladu cartrefi newydd.



Key messages in 2018

- The sector now owns and manages 162,439 homes with general needs properties and retirement accommodation accounting for 90% of this figure; 146,542 homes
- CHC members have directly spent over £1bn within Wales, and with the indirect impact also equating to £1bn means the total impact of the sector on the Welsh economy equates to over £2bn
- Turnover for the year was £953m; an increase from £908m in 2017
- Operating surplus for the year was £192m (2017: £193m), with a net surplus, after interest payments and before tax, of £79m (2017: £90m)
- Housing fixed asset levels, before depreciation, are now shown at £7.4bn, an increase from £6.9bn in 2017 (7.2% increase)
- Increased borrowings - the total debt level is now £2.8bn, a rise from £2.7bn in 2017
- The effective interest rate for borrowing was 4.55% for 2018 (4.78% in 2017)
- Sector gearing on 'Historic Cost basis' is 44%, the same as in 2017
- Sector gearing on a 'Net Worth' basis is 61%, the same as in 2017
- Capital and Reserves levels are now £1.16bn (2017: £1.07bn)
- Directly and indirectly housing associations continue to support around 23,000 FTE jobs in Wales
- CHC member organisations spent £445m on regeneration during 2018
- Free cash generated for 2018 was £55m, an increase from £32m in 2017

Negeseuon allweddol yn 2018

- Mae'r sector yn awr yn berchen ac yn rheoli 162,439 o gartrefi gydag anheddau anghenion cyffredinol a llety ymddeol yn 90% o'r ffigur hwn, 146,542 o gartrefi
- Mae aelodau CHC wedi gwario dros £1bn yn uniongyrchol yn yr economi, a gydag effaith anuniongyrchol hefyd yn gyfwerth â £1bn mae'n golygu fod cyfanswm effaith y sector ar economi Cymru yn gyfwerth â dros £2bn
- Roedd y trosiant am y flwyddyn yn £953m, cynnydd o £908m ar 2017
- Roedd y gwarged gweithredu am y flwyddyn yn £192m (2017: £193m) gyda gwarged net, ar ôl taliadau llog a chyn treth, o £79m (2017: £90m)
- Dangosir lefelau asedau sefydlog tai, cyn dibriiad, ar £7.4bn, cynnydd o £6.9n yn 2017 (cynnydd o 7.2%)
- Cynyddu benthyciadau - mae cyfanswm y lefel dyled yn awr yn £2.8bn, cynnydd o £2.7bn yn 2017
- Roedd y gyfradd log weithredol ar gyfer benthyca yn 4.55% ar gyfer 2018 (4.78% yn 2017)
- Mae geriad y sector ar 'sail cost hanesyddol' yn 44%, yr un fath ag yn 2017
- Mae geriad y sector ar sail 'gwerth net' yn awr yn 61%, yr un fath ag yn 2017
- Mae lefelau cyfalaf a chronfeydd wrth gefn yn awr yn £1.16bn (2017: £1.07bn)
- Yn uniongyrchol ac yn anuniongyrchol mae cymdeithasau tai yn cefnogi tua 23,000 o swyddi cyfwerth ag amser-llawn yng Nghymru
- Gwariodd aelodau CHC £445m ar adfywio yn ystod 2018
- Roedd yr arian rhydd a gynhyrchwyd yn £55m ar gyfer 2018, cynnydd o £32m yn 2017

The sector continues to progress and has become increasingly defined by highly capitalised organisations that own and manage long-term assets supported by long-term financing. Some housing associations are adopting more commercial approaches to help fulfil their social and charitable objectives - sustaining a key role of supplying new affordable housing has seen initiatives and alternative financial models introduced to extract maximum value from assets whilst mitigating associated risks. The ability to meet increasing debt repayments is crucial, so managing risks around income collection and treasury management remains fundamental for boards and executive teams to consider when undertaking new funding strategies.

The indebtedness of the sector is rising and to meet these long-term obligations, and to achieve more affordable finance, a strong sector-wide financial performance is absolutely crucial; the continued posting of annual surpluses underpins this. Also, given the economic and political challenges facing the sector and wider economy in Wales, surpluses act as a buffer against new risks and financial uncertainty in a complex operating environment.

Turnover continues to rise year-on-year underpinned by historically stable rental income streams. The relationship between the money received from Welsh Government compared to other sources of associations' income can be expressed as for every £1 received from Welsh Government, the housing associations generate £5.69.

Across the UK the need for greater volumes of affordable homes has never been so acute, and the sector in Wales is playing a vital role in helping meet this need on a local level. Housing associations' clear social vision offers confidence for tenants and funders on their purpose and priorities. The supportive levels of Welsh Government Capital and Revenue subsidy has enabled much of the sector to achieve their objectives and with the presence of robust regulation, greater transparency, can provide stakeholders with a reassuring assessment on sector performance to date and for the future.

This document does not individualise association performance, it shows the collective 'global' position. Each association has performance, planning and risk issues relevant to themselves that differ between organisations and are managed by association executive teams and boards of management.

Mae'r sector yn parhau i ddatblygu a daeth yn gasgliad o sefydliadau cyfalafu uchel sy'n berchen ac yn rheoli asedau hirdymor a gefnogir gan gyllido hirdymor. Mae rhai cymdeithasau tai yn defnyddio tactegau mwy masnachol i helpu cyflawni eu hamcanion cymdeithasol ac elusennol - mae cynnal rôl allweddol o gyflenwi tai fforddiadwy newydd wedi gweld cynlluniau a modelau ariannol amgen yn cael eu cyflwyno i sicrhau'r gwerth uchaf o asedau tra'n lliniaru risgiau cysylltiedig. Mae'r gofyniad i gyflawni ad-daliadau dyled cynyddol yn hollbwysig, felly mae rheoli risg o amgylch casglu incwm a rheoli trysorlys yn parhau'n sylfaenol i fyrddau a thimau gweithredol eu hystyried wrth gynnal strategaethau newydd.

Mae dyledusrwydd y sector yn cynyddu ac i gyflawni'r oblygiadau hirdymor yma, ac i sicrhau cyllid mwy fforddiadwy, mae perfformiad ariannol cryf ar draws y sector yn hollol hanfodol; mae nodi gwargedion blaenorol parhaus yn sylfaen i hyn. Hefyd, o gofio'r lluo o heriau cyllidol sy'n wynebu'r sector a'r economi ehangach yng Nghymru, mae gwargedion yn gweithredu fel clustog yn erbyn cynnydd posibl mewn ôl-ddyledion a dyledion drwg mewn amgylchedd gweithredu cymhleth.

Mae trosiant yn parhau i gynyddu flwyddyn ar flwyddyn yn seiliedig ar ffrydiau incwm rhent hanesyddol sefydlog. Gellir mynegi'r berthynas rhwng yr arian a dderbynnir gan Lywodraeth Cymru o gymharu â ffynonellau eraill i incwm cymdeithasau fel bod cymdeithasau tai yn dod â £5.69 am bob £1 a dderbynnir gan Lywodraeth Cymru.

Ar draws y Deyrnas Unedig ni fu'r angen am fwy o gartrefi fforddiadwy erioed mor enbyd, ac mae gan y sector yng Nghymru rôl hanfodol wrth helpu i gyflawni'r angen hwn ar lefel leol. Mae gweledigaeth gymdeithasol glir cymdeithasau tai yn cynnig hyder i denantiaid a chyllidwyr ar eu diben a'u blaenoriaethau. Mae lefelau cefnogol cymhorthdal cyfalaf a referniw Llywodraeth Cymru wedi galluogi llawer o'r sector i gyflawni eu hamcanion a gyda phresenoldeb rheoleiddio cadarn, mwy o dryloywder, gall roi asesiad sy'n rhoi sicrwydd i randdeiliaid am berfformiad y sector hyd yma ac ar gyfer y dyfodol.

Nid yw'r ddogfen hon yn rhoi manylion perfformiad cymdeithasau unigol, mae'n dangos y sefyllfa 'gynhwysfawr'. Mae gan bob cymdeithas faterion perfformiad, cynllunio a risg perthnasol iddynt eu hunain sy'n gwahaniaethu rhwng sefydliadau ac a gaiff eu rheoli gan dimau gweithredol a byrddau rheoli cymdeithasau.

There are macro-economic and socio-political factors that the sector has to manage; UK wide Treasury decisions and the impact of legislation and BREXIT considerations has heightened the need for comprehensive business plan stress-testing, regular assessment of association's assets and liabilities (including increased future pensions contributions) and costs of meeting new health and safety requirements following the Grenfell disaster. From a governance perspective board members continue to grow their understanding of the complex businesses they oversee, offering appropriate challenge to executive management to ensure suitable strategies are adopted that offer optimal chances for growth and success for associations and ultimately prosperity for the tenants they serve.

With the presence of greater accounting complexity 'free cash flow generation' evidences a metric of business performance and strength that increasingly provides measureable and meaningful information to stakeholders; funders in particular. Free cash shows the level of cash generated, or consumed, by the existing portfolio of properties - it's the cash left over after meeting all expenditure required to run operations on a daily basis, including loan interest, and before loan repayments, investment in new homes and related grant receipts. Overall, as in 2017, there was a welcome rise in the sector free cash level. For traditional associations the level has reduced slightly while LSVTs have substantially reduced their outflow of free cash. This reflects the increased focus associations are placing on generating positive cash flow in running their business efficiently. This will help support sector investment to achieve the 12,500 affordable homes target during this term of Government.

In aggregate, sector financial performance has been robust, meaning housing associations in Wales are well placed going forward to continue investing in existing stock and deliver new supply. The Regulator observes the financial health and governance arrangements of all associations and where necessary engages with individual organisations to seek assurances on their ability to be financially viable, well governed and capable to deliver homes and services to tenants in Wales.

Mae ffactorau macro-economaidd a chymdeithasol-wleidyddol y mae'n rhaid i'r sector eu trin; mae penderfyniadau gan Drysorlys y Deyrnas Unedig ac effaith deddfwriaeth ac ystyriaethau Brexit wedi cynyddu'r angen am brofi straen parhaol ar gynlluniau busnes ac asesiad rheolaidd ar asedau ac ymrwymadau cymdeithasau (yn cynnwys cynnydd mewn cyfraniadau pensiwn yn y dyfodol) a chostau cyflawni gofynion iechyd a diogelwch newydd yn dilyn trychineb Grenfell. O safbwynt llywodraethiant, mae dealltwriaeth aelodau bwrdd yn parhau i dyfu am y busnesau cymhleth y maent yn eu goruchwyllo, gan roi her briodol i uwch reolwyr i sicrhau y mabwysiedir strategaethau addas sy'n cynnig y cyfleoedd gorau ar gyfer goroesiad a llwyddiant cymdeithasau ac yn y pen draw ffyniant i'r tenantiaid a wasanaethant.

Gyda phresenoldeb mwy o gymhlethdod cyfrifeg mae 'cynhyrchu llif arian rhydd' yn dangos metrig o berfformiad a nerth busnes sy'n rhoi gwybodaeth fesuradwy ac ystyrlon i randdeiliaid, cyllidwyr yn arbennig. Mae arian rhydd yn dangos lefel yr arian a gynhyrchir, neu a ddefnyddir, gan y portffolio presennol o anheddau. Dyma'r arian sydd ar ôl yn dilyn cyflawni'r holl wariant sydd ei angen i redeg gweithrediadau ar sail ddyddiol a chyn ad-dalu benthyciadau, buddsoddiad mewn stoc tai newydd a derbyniadau grant cysylltiedig. Yn gyffredinol, fel yn 2017, bu cynnydd a groesewir yn lefel arian rhydd y sector. Ar gyfer cymdeithasau traddodiadol mae'r lefel wedi gostwng ychydig tra bod LSVT wedi gostwng eu hall-lif o arian rhydd yn sylweddol. Mae hyn yn adlewyrchu'r ffocws cynyddol y mae cymdeithasau yn ei roi ar redeg eu busnesau yn effeithiol. Bydd hyn yn helpu i gefnogi buddsoddiad y sector i gyflawni'r targed o 12,500 o gartrefi fforddiadwy yn ystod tymor hwn y Llywodraeth.

Yn gronnu, bu perfformiad ariannol y sector yn gadarn, gan olygu fod cymdeithasau tai yng Nghymru mewn sefyllfa dda ar gyfer y dyfodol i barhau i fuddsoddi mewn stoc presennol a chyflenwad newydd. Mae'r Rheoleiddwr yn monitro sefyllfa ariannol a threfniadau llywodraethiant pob cymdeithas a, lle bo angen, yn cysylltu gyda sefydliadau unigol i geisio sicrwydd ar eu gallu i fod yn ariannol hyfyw, eu bod yn cael eu llywodraethu'n dda a'u bod yn medru cyflawni cartrefi a gwasanaethau i denantiaid yng Nghymru.



03

**Housing
Association
Accounts**

**Cyfrifon a
Llif Arian
Cymdeithasau
Tai**

Housing Association Accounts

Overview

This report contains analysis based on the statutory financial statements of 33 of the largest Welsh housing associations; traditional (developing) housing associations and LSVT organisations. These housing associations, of which 11 are LSVTs, own and manage over 162,000 homes. Social housing units represent 90% of the total managed homes and comprise general needs, retirement accommodation and supported housing. The remaining stock includes leasehold properties, shared ownership properties, student accommodation and other properties.

The sector directly employs on average over 9,000 full time equivalent staff (FTE) and it is estimated that for each person employed at least another 1.5 FTE positions are supported elsewhere within the Welsh economy. Housing associations do not only provide housing accommodation, but are involved in a wide range of activities including regeneration work, working with health and social services and other statutory bodies and community-based projects.

Cash flow

Given the level of complexity and amount of detailed disclosures required in annual accounts, free cash flow arguably provides the best measure of business viability. With the cost of long term repairs and maintenance spread out over many years, through the Statement of Comprehensive Income, and with multiple non-cash accounting entries now also appearing in this statement, the annual surplus reported must not be looked at in isolation.

Cyfrifon Cymdeithasau Tai

Trosolwg

Mae'r adroddiad hwn yn cynnwys dadansoddiad yn seiliedig ar ddatganiadau ariannol statudol 33 o gymdeithasau tai mwyaf Cymru; cymdeithasau tai traddodiadol (sy'n datblygu) a sefydliadau LSVT (trosglwyddo gwirfoddol ar raddfa fawr). Mae'r cymdeithasau tai hyn, 11 ohonynt yn rhai LSVT, yn berchen ac yn rheoli dros 162,000 o gartrefi. Mae unedau tai cymdeithasol yn 90% o'r holl gartrefi a reolir ac cynnwys anheddau anghenion cyffredinol, llety ymddeol a thai â chymorth. Mae gweddill y stoc yn cynnwys eiddo lesddaliad, eiddo rhanberchnogaeth, llety myfyrwyr ac eiddo arall.

Ar gyfartaledd mae'r sector yn cyflogi ar gyfartaledd dros 9,000 o staff cyfwerth ag amser llawn ac am bob person a gyflogir, amcangyfrifir y caiff o leiaf 1.5 o swyddi eraill cyfwerth ag amser llawn eu cefnogi mewn man arall yn economi Cymru. Yn ogystal â darparu cartrefi, mae cymdeithasau tai yn cymryd rhan mewn ystod eang o weithgareddau yn cynnwys gwaith adfywio, gweithio gydag iechyd a gwasanaethau cymdeithasol a chyrrff statudol a phrosiectau cymunedol eraill.

Llif Arian

Oherwydd cymhlethdod cyfrifeg cynyddol a faint o ddatgeliadau manwl sydd eu hangen mewn cyfrifon blynyddol, gellid dadlau bod llif arian rhydd yn parhau i fod y mesur gorau o hyfywedd busnes. Gyda llawer o gost y gwaith cynnal a chadw hirdymor a wnaiff cymdeithasau wedi ei ymestyn dros lawer o flynyddoedd drwy'r Datganiad Incwm Cynhwysfawr a gyda nifer luosog o gofnodion cyfrifeg heblaw arian hefyd yn awr yn ymddangos yn y datganiad hwn, mae'n golygu na ellir edrych ar y gwarged yn y datganiad hwn ar ben ei hun.

Free cash shows the level of cash generated or consumed by the existing portfolio of properties. It is the cash left over after an association has met all expenditure required to run the organisation on a day-to-day basis including salaries, maintenance, component replacements, major repairs, and interest expenditure but before loan repayments, investment in new housing stock and related grant receipts.

Overall there has been a further increase in free cash flow as compared to 2017. For traditional associations the levels have reduced slightly while LSVTs have substantially reduced their outflow of free cash. This reflects the increased focus associations are placing on generating positive cash flow in running their business efficiently and in spending appropriately on the long term maintenance of their property portfolio. Traditional associations have generated £55m in free cash which is £5m less than the £60m generated in 2017. This figure is arrived at after investing £39m (2017: £39m) in the long term maintenance of properties.

The free cash generated by traditional associations was used to make contractual repayments of loans and whilst this debt will often be refinanced over the life of housing stock, it is important to continually generate sufficient cash levels over the longer term to meet all loan repayment commitments. This demonstrates the financial strength that lenders look for to continue lending to the sector to build much needed new homes.

The free cash outflow in LSVTs has narrowed further to nil from an outflow of £28m last year. As LSVTs mature a greater proportion of their property stock is now compliant with the Welsh Housing Quality Standards (WHQS) and the need to spend on component replacements has decreased, from net £111m in 2017 to £68m in 2018.

Social Housing Grant, and other grants receivable, has shown an increase from the prior year; £148m in 2018 compared with £117m in 2017. This is largely due to a £29m increase for traditional associations. Whilst loans received within the sector have increased from £266m to £350m in 2018 the actual loans repaid increased from £100m to £247m resulting in a reduction in the net inflow from financing activities from £166m in 2017 to £103m in 2018.

Mae arian rhydd yn dangos y lefel o arian a gynhyrchwyd neu a ddefnyddiwyd gan y portffolio presennol o anheddau. Dyma'r arian sydd ar ôl pan fydd y gymdeithas wedi talu am yr holl wariant sydd ei angen i redeg y sefydliad ar sail dydd-i-ddydd yn cynnwys cyflogau, cynnal a chadw, amnewid cydrannau, atgyweiriadau sylweddol a gwariant llog ond cyn ad-dalu benthyciadau, buddsoddi mewn stoc tai newydd a derbyniadau grant cysylltiedig.

Yn gyffredinol bu cynnydd pellach mewn llif arian rhydd o gymharu gyda 2017. Ar gyfer cymdeithasau traddodiadol mae'r lefelau wedi gostwng ychydig tra bod sefydliadau LSVT wedi gostwng yn sylweddol eu hall-lif o arian rhydd. Mae hyn yn adlewyrchu ffocws cynyddol cymdeithasau ar sicrhau llif arian cadarnhaol wrth redeg eu busnes yn effeithiol ac wrth wario'n briodol ar gynnal a chadw hirdymor eu portffolio eiddo. Mae cymdeithasau traddodiadol wedi ysgogi £55m mewn arian rhydd, sydd £5m yn llai na'r £60m a gynhyrchwyd yn 2017. Ceir y ffigur hwn ar ôl buddsoddi £39m (2017: £39m) yn cynnal a chadw eiddo yn yr hirdymor.

Defnyddiwyd yr arian rhydd a sicrhawyd gan gymdeithasau traddodiadol i wneud ad-daliadau contractiol ar fenthyciadau, ac er y caiff y ddyled hon yn aml ei hailgyllido dros oes y stoc tai, mae'n bwysig sicrhau digon o arian rhydd yn yr hirdymor ar gyfer cyflawni holl ymrwymadau ad-dalu benthyciadau. Mae hyn yn dangos y nerth ariannol y mae benthycwyr yn edrych amdano er mwyn parhau i fenthycia i'r sector i adeiladu cartrefi newydd y mae angen dybryd amdanynt.

Mae'r all-lif o arian rhydd mewn LSVT wedi gostwng ymhellach o nil i all-lif o £28m y llynedd. Wrth i LSVT aeddfedu mae mwy a mwy o'u stoc eiddo yn cydymffurfio gyda Safonau Ansawdd Tai Cymru ac mae'r angen i wario ar amnewid cydrannau wedi gostwng (o £111m net yn 2017 i £68m net yn 2018).

Mae cynnydd mewn Grant Tai Cymdeithasol, a grantiau eraill sy'n dderbyniadwy, wedi dangos cynnydd o'r flwyddyn flaenorol; £148m yn 2018 o gymharu gyda £117m yn 2017. Mae hyn i raddau helaeth oherwydd cynnydd o £29m ar gyfer cymdeithasau traddodiadol. Er bod y benthyciadau a dderbyniwyd o fewn y sector wedi cynyddu o £266m i £350m yn 2018, cynyddodd yr union fenthyciadau a ad-dalwyd o £100m i £247m, gan arwain at ostyngiad yn y mewnlif net o weithgareddau cyllido o £166m yn 2017 i £103m yn 2018.

Figure 1: Cash flow statement 2018

	Traditional 2018 £m	LSVT 2018 £m	All 2018 £m	Traditional 2017 £m	LSVT 2017 £m	All 2017 £m
Net cash inflow from operating activities	182	111	293	185	108	293
Interest paid	(87)	(36)	(123)	(85)	(35)	(120)
Interest received	7	0	7	6	0	6
Taxation	0	0	0	0	0	0
	102	75	177	106	74	180
Replacement fixed assets	(9)	(7)	(16)	(8)	(7)	(15)
Component replacements	(39)	(90)	(129)	(39)	(106)	(145)
Component grants	1	22	23	1	11	12
Free cash inflow / (outflow)	55	0	55	60	(28)	32
Purchase and development of properties	(267)	(60)	(327)	(273)	(33)	(306)
SHG and other grants received	123	25	148	94	23	117
Proceeds of sale of properties	29	13	42	34	10	44
Other	(11)	(2)	(14)	12	(2)	14
Net cash outflow from capital expenditure	(127)	(24)	(151)	(157)	(2)	(159)
Loans received	297	53	350	195	71	266
Loans repaid	(205)	(41)	(247)	(59)	(41)	(100)
Net inflow from financing activities	92	12	103	136	30	166
Increase / (decrease) in cash	19	(12)	7	39	0	39

Statement of Financial Position

Fixed Assets

Total fixed assets have continued to rise again this year to £6,753m, an increase of 5% from the prior period. Both traditional housing associations and LSVTs contributed to this rise. This demonstrates the commitment to developing more homes and ensuring the ongoing compliance with WHQS. LSVTs invested £68m and traditional associations invested a further £38m in component replacements to ensure further compliance with WHQS during the year.

During 2017/18 the sector has continued to direct significant spending on development of new homes with investment for the period totalling £327m, a rise from £306m in 2016/17. As anticipated traditional associations make up the bulk of this tranche of investment, 82%, but pleasingly there has been an increase in LSVT investment as more mature LSVTs seek to increase their development programmes. These organisations have grown as businesses and with continuously improving compliance against WHQS (approximately 86% of homes), the shift to building new affordable homes, alongside current stock maintenance, is beginning to gain traction.

Some of this development investment continues to be supported by grant whilst the rest is financed from banks and long term institutional investors. The long term debt level is now over £2.6bn, increasing by over £60m during the year. 79% of this debt belongs to traditional housing associations.

Rent Arrears

The impact of welfare reform continues to be a material cause for concern for the sector, in particular tenant's ability to pay their rent. Many housing associations have continued to strategically invest in support for their tenants but there has still been a slight increase in rent arrears from 4.3% to 4.5% of turnover. As the roll out of Universal Credit continues, as well as any other welfare changes that may be introduced, associations may come under further pressure to secure collection of their rents.

Reserves

The total capital and reserves of Welsh housing associations have risen by 90m (£63m rise in 2017) to £1,157m as a result of the surplus recorded for the year. It should not be forgotten that reserves do not equal cash available, but the accounting value of the net assets within the sector. In broad terms it indicates the investment of association's own resources in the maintenance of their existing properties and the provision of new affordable homes.

Datganiad Sefyllfa Ariannol

Asedau Sefydlog

Mae cyfanswm asedau sefydlog wedi codi eto eleni i £6,753m, cynnydd o 5% o'r cyfnod blaenorol. Cyfrannodd cymdeithasau tai traddodiadol a hefyd LSVT at y cynnydd yma. Mae hyn yn dangos yr ymrwymiad i ddatblygu mwy o gartrefi a sicrhau fod eiddo tai y sector yn parhau i gydymffurfio â Safonau Ansawdd Tai Cymru. Buddsoddodd LSVT £68m a buddsoddodd cymdeithasau traddodiadol £38m pellach mewn amnewid cydrannau i sicrhau cydymffurfiaeth gyda Safon Ansawdd Tai Cymru yn ystod y flwyddyn.

Yn ystod 2017/18 mae'r sector wedi parhau i gyfeirio lefel sylweddol o wariant ar gartrefi newydd gyda chyfanswm buddsoddiad am y cyfnod yn £327m, cynnydd o £306m yn 2016/17. Yn ôl y disgwyl, cymdeithasau traddodiadol yw rhan fwyaf y dogn yma o fuddsoddiad, 82%, ond yn ddymunol bu cynnydd mewn buddsoddiad LSVT wrth i LSVT mwy aeddfed geisio cynyddu eu rhaglenni datblygu. Mae'r sefydliadau hyn wedi tyfu fel busnesau a gyda chydymffurfiaeth yn gwella'n barhaus ar WHQS (tua 86% o gartrefi), mae'r symudiad i adeiladu cartrefi fforddiadwy newydd, ynghyd â chynnal a chadw stoc presennol, yn cynyddu.

Mae peth o'r buddsoddiad datblygu'n parhau i gael ei gefnogi gan grant tra caiff y gweddill ei gyllido gan fanciau a buddsoddwyr sefydliadol hirdymor. Mae lefel dyledion hirdymor yn awr dros £2.6bn, gan gynyddu gan dros £60m yn ystod y flwyddyn. Mae 79% o'r ddyled hon yn perthyn i gymdeithasau tai traddodiadol.

Ôl-ddyledion Rhent

Mae diwygio llesiant yn parhau i fod yn achos consyrn sylweddol i gymdeithasau tai, yn arbennig allu tenantiaid i dalu eu rhent. Mae llawer o gymdeithasau tai wedi parhau i fuddsoddi'n strategol mewn cefnogaeth i'w tenantiaid ond bu'n dal gynydd bychan mewn ôl-ddyledion rhent o 4.3% i 4.5% o droiant. Wrth i'r Credyd Cynhwysol gael ei ymestyn yn gynyddol, yn ogystal ag unrhyw newidiadau llesiant eraill a all gael eu cyflwyno, gall cymdeithasau ddod dan fwy o bwysau i sicrhau y caiff eu rhenti eu casglu.

Cronfeydd wrth gefn

Mae cyfanswm cyfalaf a chronfeydd wrth gefn cymdeithasau tai Cymru wedi codi gan £90m (cynnydd o £63m yn 2017) i £1,157m fel canlyniad i'r gwarged a gofnodwyd ar gyfer y flwyddyn. Ni ddylid anghofio nad yw cronfeydd wrth gefn yn gyfartal ag arian parod sydd ar gael, ond werth cyfrifeg yr asedau net o fewn y sector. Yn fras, mae'n dangos buddsoddiad adnoddau cymdeithasau eu hunain i gynnal a chadw eu hanheddu presennol a darparu cartrefi fforddiadwy newydd.

Figure 2: Statement of Financial Position 2018

	Traditional 2018 £m	LSVT 2018 £m	All 2018 £m	All 2017 £m
FIXED ASSETS				
Housing properties at cost	5,863	1,519	7,382	6,960
Depreciation	(696)	(296)	(992)	(882)
NBV of housing properties	5,167	1,223	6,390	6,078
Intangible assets	4	3	7	8
Commercial property	79	15	94	89
Fixed asset investments	129	1	130	120
Other (including office premises)	105	28	133	130
Total Fixed Assets	5,484	1,269	6,753	6,425
CURRENT ASSETS				
Assets held for sale and stocks	18	3	21	21
Debtors due within one year	123	84	207	175
Debtors due after one year	178	550	728	749
Cash and cash equivalents	239	87	326	314
Total Current Assets	558	724	1,282	1,259
CURRENT LIABILITIES				
Short term loans	(128)	(38)	(166)	(110)
Capital Grants including SHG	(96)	(17)	(113)	(73)
Other current liabilities	(153)	(107)	(260)	(249)
Total Current Liabilities	(377)	(162)	(539)	(432)
Net Current Assets	181	562	743	827
Total Assets less Current Liabilities	5,665	1,831	7,496	7,252
LONG TERM CREDITORS AND PROVISIONS				
Long term loans	(2,098)	(558)	(2,656)	(2,594)
Capital Grants (including Social Housing Grant)	(2,680)	(226)	(2,906)	(2,787)
Pension liability	(59)	(94)	(153)	(166)
Other including VAT shelter	(56)	(568)	(624)	(638)
Total Long Term Creditors and Provisions	(4,893)	(1,446)	(6,339)	(6,185)
NET ASSETS	772	385	1,157	1,067
RESERVES				
Income & Expenditure reserve	742	332	1,074	982
Restricted reserve	18	4	22	24
Revaluation reserve	13	49	62	61
TOTAL RESERVES	772	385	1,157	1,067

Statement of Comprehensive Income

Turnover

Turnover continues to increase year on year with an increase from £908m to £953m in 2017/18. This included the rental uplift associations could apply to social housing rents in 2017/18 that was set at a maximum of 2.5% (CPI of previous September +1.5%). Since 2014 turnover in the sector has increased steadily from £784m to £953m.

63% (£601m) of the total turnover belongs to the traditional housing associations, a figure consistent with the previous year.

Operating Surplus

Operating surplus for the sector was £192m (£140m for traditional associations and £52m for LSVTs). This is broadly similar to the prior year, £193m. The need for operational surpluses to be achieved, on a continuing basis, allows associations to pay interest on loans and attract further finance for the development of new homes. The surplus on disposal of fixed assets saw a modest increase from £9m in 2017 to £14m in 2018, representing asset sales in a small number of associations.

Interest rates

The overall amount of interest paid by the sector increased to £122m from £120m, a rise broadly in proportion with the increase in short and long term loans to the sector. The effective interest rate for the sector remained broadly static at 4.6%, and includes an average rate on traditional housing association borrowing of 4.1% and a rate for LSVTs of 6.1% which is driven by the ongoing effect of restrictive fixed-rate loan arrangements, although some have now been re-financed. LSVTs represent 21% of total sector borrowing. Included in this year's statements was an exceptional item cost, Loan Breakage, which has been separated due its material nature. This cost crystallized due to the repayment of existing loans by one association, following the securing of attractive, more flexible funding.

Datganiad Incwm Cynhwysfawr

Trosiant

Mae trosiant yn parhau i gynyddu flwyddyn ar flwyddyn gyda chynnydd o £908m i £953m yn 2017/18. Mae hyn yn cynnwys yr ymgodiad rhent y gallai cymdeithasau ei weithredu i renti tai cymdeithasol yn 2017/18 a gafodd ei osod ar uchafswm o 2.5% (CPI y mis Medi blaenorol + 1.5%). Mae trosiant yn y sector wedi cynyddu'n gyson ers 2014 i £784m i £953m.

Cymdeithasau tai traddodiadol sydd piau 63% (£601m) o'r cyfanswm trosiant, ffigur sy'n gyson gyda'r flwyddyn flaenorol.

Gwarged Gweithredu

Roedd y gwarged gweithredu ar gyfer y sector yn £192m (£140m ar gyfer cymdeithasau traddodiadol a £52m i LSVT). Mae hyn yn fras debyg i'r flwyddyn flaenorol, £193m. Mae'r angen i sicrhau gwargedion gweithredol, ar sail barhaus, yn galluogi cymdeithasau i dalu llog ar fenthyciadau a denu cyllid pellach ar gyfer datblygu cartrefi newydd. Gwelodd y gwarged ar waredu asedau sefydlog gynydd bychan o £9m yn 2017 i £14m yn 2018, yn cynrychioli gwerthu asedau mewn nifer fach o gymdeithasau.

Cyfraddau Llog

Cynyddodd cyfanswm y llog a dalwyd gan y sector i £122m o £120m, cynnydd yn fras gymesur gyda'r cynnydd mewn benthyciadau tymor byr a hirdymor i'r sector. Arhosodd cyfradd log weithredol y sector fwy neu lai yn ei unfan ar 4.6%, ac mae'n cynnwys cyfradd gyfartalog ar fenthyciadau cymdeithasau tai traddodiadol o 4.1% a chyfradd o 6.1% ar gyfer LSVT a gaiff ei yrru gan effaith parhaus trefniadau benthyciad cyfyngol cyfradd sefydlog, er fod rhai bellach wedi eu hail-gyllido. Mae LSVT yn ffurfio 21% o gyfanswm benthycia'r sector. Mae datganiadau eleni yn cynnwys cost eitem eithriadol, Torri Benthyciad, a gafodd ei wahanu oherwydd ei natur sylweddol. Cafodd y gost yma ei grisialu oherwydd ad-dalu benthyciadau presennol i un gymdeithas, yn dilyn sicrhau cyllid deniadol a mwy hyblyg.

Actuarial movement on Pension Schemes

From 2016/17 to 2017/18 there was a £46m, non-cash, favourable movement on valuation of pension schemes. The majority of this positive shift relates to Local Government Pension Schemes (LGPS defined benefit funds) following changes in actuarial assumptions used for the purposes of FRS102 reporting.

However the future position looks less favourable. The 2017 SHPS valuation, the first to take place under the new SHPS governance structure, will impact future pension payments. The final valuation position indicated a further deterioration in the SHPS deficit, such that employers will have to pay additional contributions over the period of the Recovery Plan. Since the last valuation of SHPS in 2014, the EU referendum has had a significant impact on UK long term interest rates. Long term real yields dropped significantly during the latter half of 2016, and have remained at stubbornly low levels since.

Whilst low interest rates are good for consumers, for employers that sponsor defined benefit pension schemes, the value placed on pension liabilities has risen hugely, leading to increased pressure on balance sheets and pension contributions.

Total future contributions to SHPS will therefore increase significantly affecting both past service deficit contributions as well and contributions for future service, dependent upon the final actuarial assumptions used.

Symudiad actiwaraidd ar Gynlluniau Pensiwn

Rhwng 2016/17 a 2017/18 roedd symudiad ffafriol o £46m, anariannol ar brisiad cynlluniau pensiwn. Mae mwyafrif y symud cadarnhaol yn ymwneud â Chynlluniau Pensiwn Llywodraeth Leol (cronfeydd budd diffiniedig LGPS) yn dilyn y prisiadau a'r tybiaethau a ddefnyddiwyd ar gyfer dibenion adroddiadau FRS 102.

Fodd bynnag mae sefyllfa'r dyfodol yn edrych yn llai ffafriol. Bydd prisiad SHPS 2017, y cyntaf i'w gynnal dan strwythur llywodraethiant newydd SHPS, yn effeithio ar daliadau pensiwn y dyfodol. Mae'r sefyllfa prisiad dilynol yn dangos dirywiad pellach yn y diffyg SHPS, fel y bydd yn rhaid i gyflogwyr dalu cyfraniadau ychwanegol dros gyfnod y Cynllun Adfer. Ers prisiad diwethaf SHPS yn 2014, cafodd refferendwm yr Undeb Ewropeaidd effaith sylweddol ar gyfraddau hirdymor y Deyrnas Unedig. Bu gostyngiad sylweddol mewn gwir arenillion hirdymor yn ystod hanner olaf 2016, a maent wedi parhau ar lefelau ystyfnig o isel byth ers hynny.

Er bod cyfraddau llog isel yn dda i ddefnyddwyr mae'r gwerth a roddir ar ymrwymadau pensiwn wedi codi'n enfawr ar gyfer cynlluniau pensiwn budd diffiniedig, gan arwain at bwysau cynyddol ar fantolenni a chyfraniadau pensiwn.

Felly bydd cyfraniadau'r dyfodol i SHPS yn cynyddu'n sylweddol gan effeithio ar gyfraniadau diffyg gwasanaeth y gorffennol yn ogystal â chyfraniadau ar gyfer gwasanaeth y dyfodol, yn dibynnu ar y tybiaethau actiwaraidd terfynol a ddefnyddiwyd.

Figure 3: Income & Expenditure 2018

	Traditional 2018 £m	LSVT 2018 £m	All 2018 £m	All 2017 £m	All 2016 £m	All 2015 £m
Turnover	601	352	953	908	905	855
Operating costs	(461)	(300)	(761)	(715)	(734)	(689)
Operating surplus	140	52	192	193	171	166
Surplus on disposal of fixed assets	3	11	14	9	12	10
Interest receivable and other income	7	0	7	8	7	8
Interest payable and similar charges	(87)	(36)	(122)	(120)	(112)	(105)
Exceptional Item - Loan Breakage Costs	(15)	0	(15)	0	0	0
Pension scheme net financing gain / (loss)	0	0	0	(5)	(5)	(9)
Fair value movements increase / (decrease)	2	1	3	5	2	0
Surplus for the year before tax	50	29	79	90	75	70
Transfer (to) / from reserves	(1)	(1)	(2)	14	(1)	(1)
Surplus for year after tax and transfers	49	28	77	104	74	69
Actuarial gain / (loss) on pension schemes	1	14	15	(31)	4	(34)
Prior year adjustments	0	0	0	0	29	23
Accumulated surplus brought forward	695	287	982	909	802	744
Accumulated surplus carried forward	745	329	1,074	982	909	802

Figure 4: Income & Expenditure 2018 analysis

	2018			Turnover £m	2017 Operating costs £m	Operating surplus/ (deficit) £m
	Turnover £m	Operating costs £m	Operating surplus/ (deficit) £m			
General Needs Housing	704	(566)	138	691	(528)	163
Supported Housing	69	(79)	(10)	65	(52)	13
Social Housing Totals	773	(645)	128	756	(580)	176
Non Social Housing	180	(116)	64	152	(135)	17
Total - all activities	953	(761)	192	908	(715)	193

Figure 5: Operating Surplus 2018

OPERATING MARGINS	2018		
	Traditional £m	LSVT £m	All £m
Social Housing - lettings	106	22	128
Non Social Housing - lettings	34	30	64
Total - all activities	140	52	192

Figure 6: Homes in Management 2018

ALL ASSOCIATIONS	2018	2017	2016	2015	2014
General needs and sheltered housing	138,467	137,349	134,539	133,730	131,141
Supported housing	8,075	6,967	6,545	6,293	7,925
Student accommodation	4,035	4,102	4,061	4,061	4,235
Shared ownership / Homebuy / LCHO	3,293	2,610	2,897	2,076	-
Leasehold	6,239	6,493	6,678	6,580	-
Other	2,330	3,115	2,688	3,131	13,318
	162,439	160,636	157,608	155,871	156,619
TRADITIONAL					
General needs and sheltered housing	72,023	70,900	67,930	67,029	65,003
Supported housing	6,456	5,325	5,171	4,843	5,252
Student accommodation	4,035	4,102	4,061	4,061	4,235
Shared ownership / Homebuy / LCHO	3,129	2,443	2,647	1,821	-
Leasehold	1,921	1,922	1,944	1,819	-
Other	2,160	3,020	2,668	2,952	7,802
	89,724	87,712	84,421	82,525	82,292
LSVTs					
General needs and sheltered housing	66,444	66,449	66,609	66,701	66,138
Supported housing	1,619	1,642	1,374	1,450	2,673
Shared ownership / Homebuy / LCHO	164	167	250	255	-
Leasehold	4,318	4,571	4,734	4,761	-
Other	170	95	220	179	5,516
	72,715	72,924	73,187	73,346	74,327

Overall the sector has increased its units in management from 160,636 to 162,439 representing a net increase of 1,803 in the year. Even though this in-year increase is less than the previous year increase members report that they expect over 3,000 additional homes to be made available in 2018/19, adequately positioning the sector to achieve the Welsh Government 12,500 affordable homes target for this term of Government.

The numbers of units in management for traditional housing associations and LSVTs is 55% and 45% respectively, a similar proportion to previous years. Social housing properties (general needs, sheltered housing and supported housing), represent 90% of the total units.

Drwyddi draw mae'r sector wedi cynyddu nifer yr unedau y mae'n eu rheoli o 160,636 i 162,439 gan gynrychioli cynnydd net o 1,803 yn y flwyddyn. Er fod y cynnydd yn y flwyddyn yn llai na chynnydd y flwyddyn flaenorol, mae adroddiadau'n dweud y disgwyliant i dros 3,000 o gartrefi ychwanegol fod ar gael yn 2018/19, gan safleoli'r sector yn ddigonol i gyflawni targed Llywodraeth Cymru o 12,500 o gartrefi fforddiadwy ar gyfer tymor hwn y Llywodraeth.

Mae'r nifer o unedau y mae cymdeithasau tai traddodiadol a LSVT yn eu rheoli yn 55% a 45% yn yr un drefn, cyfran debyg i flynyddoedd blaenorol. Mae anheddau tai cymdeithasol (anghenion cyffredinol, tai gwarchod a thai â chymorth) yn cynrychioli 90% o'r holl unedau.



04

**Value for
Money**

**Gwerth
am Arian**

Value for Money (VfM)

VfM within the social housing sector is not a precise concept; there are many stakeholders involved and outcomes are often intangible and difficult to define and interpret. Tenants are the principal focus for associations and the Regulator, meaning those charged with governance and decision making have the responsibility to balance tenant perspectives and business development. Achieving VfM requires an association to be clear about its role locally, what stakeholders it produces value for, and it also has a commitment to tenants to codify what 'value' is and how it impacts on metrics including rent setting and maintenance programs.

There are intrinsic links between housing and poverty; the relative lower levels of rent, payable by people living in social housing, is recognised as an important means of minimising housing-cost induced poverty for many. Decent housing brings numerous benefits in terms of the positive impacts it can have on community inclusion, health and wellbeing, educational attainment of individuals and reducing energy bills.

The principal purpose of housing associations is to provide affordable housing, and to do this it is vital that best use is made of income they receive, including grants and state benefits, that help support housing costs and rents. Associations must therefore demonstrate that they deliver value (by maximising the outcomes they produce) in return for the income they receive. This is reflected in the Welsh Government's regulatory framework and in recognition of this the Independent Regulatory Board for Wales, responsible for overseeing the regulation of Welsh housing associations, has welcomed the sector's continuing focus on Value for Money assessment. In the spirit of co-regulation Welsh Government has given housing associations the opportunity to take a lead in this area and demonstrate their commitment to it.

Gwerth am Arian

Nid yw Gwerth am Arian o fewn y sector tai cymdeithasol yn gysyniad manwl-gywir; mae llawer o randdeiliaid yn gysylltiedig ac mae'r canlyniadau yn aml yn anniriaethol ac yn anodd eu diffinio a'u dehongli. Tenantiaid yw'r prif ffocws ar gyfer cymdeithasau a'r Rheoleiddiwr, gan olygu fod y rhai sy'n gyfrifol am lywodraethiant a gwneud penderfyniadau yn gyfrifol am gydbwyso safbwyntiau tenantiaid a datblygu busnes. Mae angen i gymdeithasau fod yn glir am ei rôl yn lleol er mwyn cyflawni Gwerth am Arian, ar gyfer pa randdeiliaid mae'n cynhyrchu gwerth ar eu cyfer, ac ymrwymiad i denantiaid i godeiddio beth yw 'gwerth' a sut mae'n effeithio ar fetrigau yn cynnwys rhaglenni gosod rhent a chynnal a chadw.

Mae cysylltiadau cynhenid rhwng tai a thlodi. Caiff y lefelau cymharol is o rent a gaiff eu talu gan bobl yn byw mewn tai cymdeithasol eu cydnabod fel dull bwysig o leihau tlodi a gymhellir gan gost tai i lawer. Mae tai gweddus yn dod â buddion niferus yn nhermau'r effeithiau cadarnhaol y gall eu cael ar gynhwysiant cymunedol, iechyd a llesiant, cyrhaeddiad addysgol unigolion a gostwng biliau tanwydd.

Prif ddiben cymdeithasau tai yw darparu tai fforddiadwy ac i wneud hyn mae'n hollbwysig y gwneir y defnydd gorau o'r incwm a dderbyniant yn cynnwys grantiau a budd-daliadau gwladol sy'n helpu i gefnogi costau tai a rhenti. Mae'n rhaid i gymdeithasau felly ddangos eu bod yn sicrhau gwerth (drwy gynyddu i'r eithaf eu canlyniadau) yn ôl am yr arian (incwm) a dderbyniant. Caiff hyn ei adlewyrchu yn fframwaith rheoleiddiol Llywodraeth Cymru, a gan gydnabod hyn mae Bwrdd Rheoleiddiol Cymru, sy'n gyfrifol am oruchwylio rheoleiddiad cymdeithasau tai Cymru, wedi croesawu ffocws y sector ar asesiad Gwerth am Arian. Yn ysbryd cyd-reoleiddio mae Llywodraeth Cymru wedi rhoi cyfle i gymdeithasau tai gymryd yr awenau yn y maes yma ac arddangos ei ymrwymiad iddo.

Value for Money is generally considered to cover three elements; economy, efficiency and effectiveness and can be summarised as:

1. Economy – doing things at the ‘best price’
2. Efficiency – minimising waste and doing things the ‘best way’
3. Effectiveness – doing the ‘right things’ by maximising the positive outcomes produced

Wales has added a fourth ‘E’ for consideration: Equity – recognising diversity and spending fairly to ensure that those in greatest need are considered.

The diagram below illustrates the relationship between these four elements.

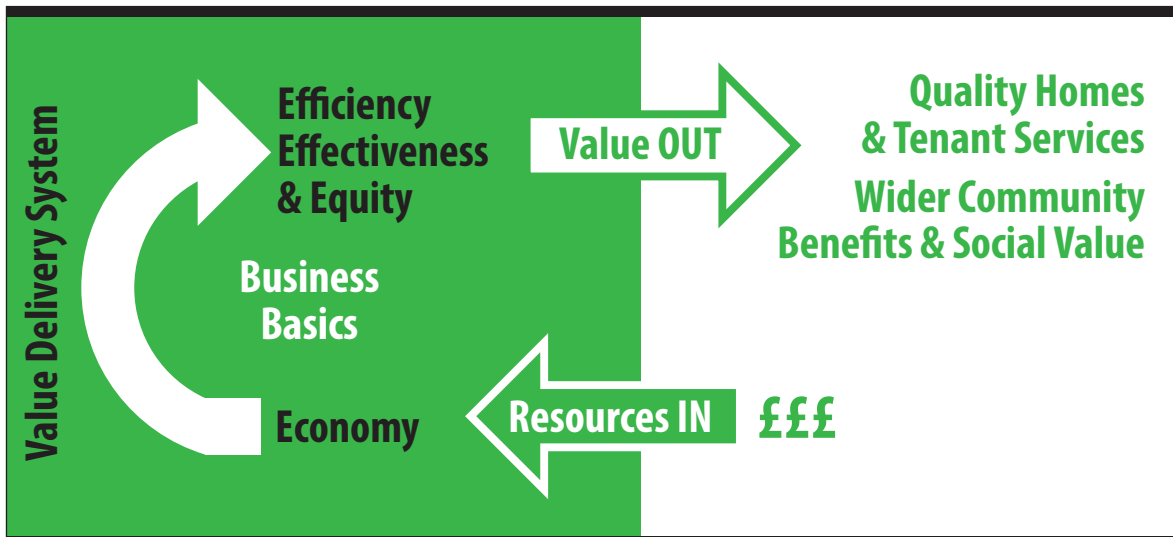
Ystyrir fel arfer fod Gwerth am Arian yn cynnwys tair elfen: darbodusrwydd, effeithiolrwydd ac effeithlonrwydd a gellir ei grynhoi fel:

1. Darbodusrwydd - gwneud pethau am y ‘pris gorau’
2. Effeithiolrwydd - lleihau gwastraff a gwneud pethau y ‘ffordd orau’
3. Effeithlonrwydd - gwneud y ‘pethau cywir’ drwy gynyddu i’r eithaf y canlyniadau cynhyrchiol.

Mae Cymru wedi cynnwys elfen arall: Tegwch - cydnabod amrywiaeth a gwario'n deg i sicrhau yr ystyrir y rhai sydd yn yr angen mwyaf.

Mae'r diagram islaw'n dangos y berthynas rhwng y pedair elfen yma

Diagram 1: A model for understanding VFM in Wales



It is important to identify appropriate measures that demonstrate the delivery of these elements:

1. Enable an understanding of ‘money’ i.e. service costs (inputs) – **economy**
2. Indicate how effective the process of converting inputs to outputs – **efficiency**
3. Map to the areas of ‘value’ created (outcomes / outputs) – **effectiveness**

The financial data within housing association’s accounts can be effectively deployed to capture certain headline economy and efficiency indicators, although it is more difficult to produce a complete and rounded measure of effectiveness exclusively from this financial data. Information extracted from the Global Accounts underpins useful and comparative cost data analyses that allows for VfM assessment.

Mae'n bwysig dynodi mesurau priodol sy'n dangos cyflawni'r elfennau hyn:

1. Galluogi dealltwriaeth o ‘arian’ h.y. costau gwasanaeth (mewnbynnau) – **darbodusrwydd**
2. Dangos pa mor effeithlon yw'r broses o drosi mewnbynnau yn allbynnau – **effeithiolrwydd**
3. Mapio i'r ardaloedd ‘gwerth’ a grëwyd (canlyniadau/allbynnau) – **effeithlonrwydd**

Gellir defnyddio'r data ariannol o fewn cyfrifon cymdeithasau tai mewn modd effeithlon i ddangos rhai prif ddangosyddion darbodusrwydd ac effeithlonrwydd, er ei bod yn anos rhoi mesur cyflawn a chrwn o effeithlonrwydd o'r data ariannol hwn yn unig. Mae gwybodaeth a gasglwyd ar gyfer y Cyfrifon Cynhwysfawr yn sylfaen i ddadansoddiadau data defnyddiol a chymharu costau sy'n galluogi asesiad Gwerth am Arian.

VfM is not a cost-cutting exercise, nor is it solely about service provision – it is about strategic leadership of the organisation and captures all housing assets and resources. All available resources must be used to maximise the outcomes of the organisation to meet its charitable and corporate objectives. These Global Accounts can therefore be used to provide indicators of financial economy and effectiveness with an acceptance that financial data, in isolation, is not enough to tell the whole VfM story. The VfM tenet continues to demand extensive consideration throughout housing associations in Wales to further provide information on efficiency of processes, organisational effectiveness and value of outcomes achieved whilst ensuring that equity is delivered.

Ten financial VfM indicators (five related to economy and five related to efficiency, of which one combines with effectiveness) have been identified from the Global Accounts which can be viewed at an all-Wales level. Global Accounts ratios are detailed in full in section 6, *Trend Analysis and VfM Indicators*.

Four of the financial economy measures relate to costs and are calculated per social housing unit:

1. Operating costs
2. Management costs
3. Reactive repair costs
4. Major repair costs

The fifth financial economy measure relates to Turnover, which is also calculated per social housing unit.

Each housing association will be striving to ensure its operating costs for social housing are minimised where possible to help meet its organisational objectives. There is an inherent need for operational surpluses to be achieved on a continuing basis in order to pay interest on loans and attract additional finance to underpin development of new homes.

Nid dim ond ymarferiad torri costau yw Gwerth am Arian, nac ychwaith yn ymwneud â darpariaeth gwasanaeth - mae'n ymwneud ag arweinyddiaeth strategol y sefydliad ac mae'n cwmpasu holl asedau ac adnoddau tai. Mae'n rhaid defnyddio'r holl adnoddau sydd ar gael i gynyddu i'r eithaf y canlyniadau i'r sefydliad i gyflawni ei amcanion elusennol a chorfforaethol. Felly gellir defnyddio'r Cyfrifon Cynhwysfawr yma i roi rhai dangosyddion o ddarbodusrwydd ac effeithlonrwydd ariannol gan dderbyn nad yw data ariannol, ar ben ei hun, yn ddigon i ddweud holl stori Gwerth am Arian. Mae egwyddor Gwerth am Arian yn parhau i gael ei ystyried yn helaeth ar draws y cymdeithasau tai yng Nghymru i roi dangosyddion am effeithlonrwydd prosesau gwasanaeth, effeithlonrwydd a gwerth y canlyniadau a gafwyd, gan hefyd sicrhau tegwch.

Cafodd deg dangosydd ariannol Gwerth am Arian (pump yn gysylltiedig â darbodusrwydd a phump yn gysylltiedig ag effeithlonrwydd, gydag un ohonynt yn cyfuno gydag effeithlonrwydd) eu dynodi o'r Cyfrifon Cynhwysfawr y gellir eu gweld ar lefel Cymru-gyfan. Rhoddir manylion llawn cymarebau Cyfrifon Cynhwysfawr yn adran 6, *Dadansoddi Tueddiadau a Dangosyddion Gwerth am Arian*.

Mae pedwar o'r mesurau darbodusrwydd ariannol yn ymwneud â chostau a chawsant eu cyfrif fesul uned tai cymdeithasol:

1. Costau gweithredu
2. Costau rheoli
3. Costau atgyweirio ymatebol
4. Costau atgyweirio sylweddol

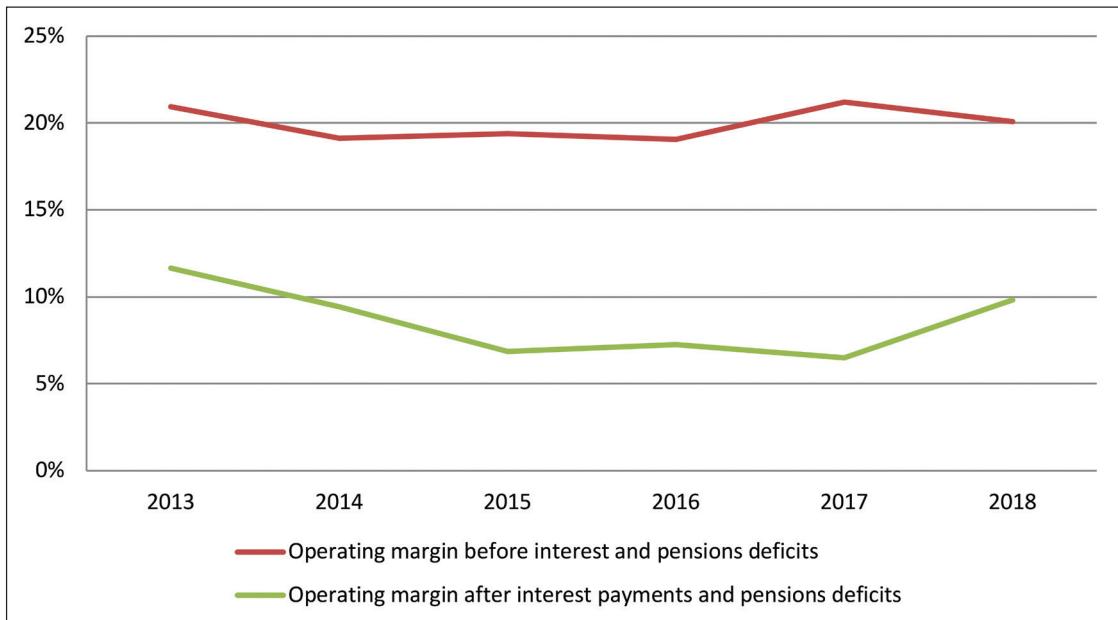
Mae'r pumed mesur darbodusrwydd ariannol yn ymwneud â throsiant, a gaiff hefyd ei gyfrif fesul uned tai cymdeithasol.

Bydd pob cymdeithas tai yn ymdrechu i sicrhau y cedwir ei chostau gweithredu ar gyfer tai cymdeithasol mor isel ag sydd modd i helpu cyflawni amcanion y sefydliad. Mae angen cynhenid i sicrhau gwargedion gweithredu, ar sail barhaus, er mwyn talu llog ar fenthyciadau a denu mwy o gyllid ar gyfer datblygu cartrefi newydd.

Average turnover per social housing property has increased from £5,076 in 2017 to £5,294 in 2018 representing a rise of 4%. This is attributable to service charges, higher rents chargeable for newly-developed properties and the annual rent increase that encompasses the uplift allowed under the Welsh Government Rent Policy. Interest and loan payments are broadly similar to 2017 levels with investment in repairs increasing during 2018. The proportion of income spent on management and maintenance each year has largely stayed the same and the overall operating surplus has also remained static at around 20%. The following graph shows the social housing operating margin for the sector:

Mae trosiant cyfartalog fesul annedd tai cymdeithasol wedi cynyddu o £5,076 yn 2017 i £5,294 yn 2018, cynnydd o 4%. Gellir priodoli hyn i daliadau gwasanaeth, rhenti uwch a godir am anheddau newydd eu datblygu a'r cynnydd blynyddol mewn rhent sy'n cynnwys yr ymgodiad a ganiateir dan Bolisi Rhent Llywodraeth Cymru. Mae taliadau llog a benthyciad yn fras debyg i lefelau 2017 gyda buddsoddiad mewn atgyweiriadau wedi cynyddu yn ystod 2018. Mae'r gyfran o incwm a werir bob blwyddyn ar reoli a chynnal a chadw wedi aros fwy neu lai yr un fath, ac felly hefyd y gorswm gweithredu ar tua 20%. Mae'r graff dilynol yn dangos gorswm gweithredu tai cymdeithasol ar gyfer y sector, er mwyn rhoi gwybodaeth ddefnyddiol dros gyfnod hirach:

Figure 7: Operating Margin



The operating margin from all activities before interest and pension deficit contributions has been largely constant over the past five years and was at 20% for 2018 (21% in 2017). However, as housing associations have continued to develop using more borrowings, particularly from non-grant schemes and those schemes funded from Housing Finance Grant (HFG), the level of interest payments over recent years has increased. There was a £46m, non-cash, favourable movement in respect of actuarial gains of pensions schemes meaning this measure of margin, after interest and pensions deficits has increased from 6.5% in 2017 to 9.8% in 2018.

Bu'r gorswm gweithredu o weithgareddau tai cymdeithasol cyn llog a chyfraniadau diffyg pensiwn yn fras gyson dros y pum mlynedd ddiwethaf, ac roedd yn 20% ar gyfer 2017. Fodd bynnag, wrth i gymdeithasau tai barhau i ddatblygu yn defnyddio mwy o fenthyciadau, yn arbennig o gynlluniau heblaw grant a'r cynlluniau hynny a gyllidwyd o Grant Refeniw Cyllid Tai (HFG), mae lefel y taliadau llog wedi cynyddu, a gyda diffygion pensiwn wedi'u cynnwys, mae'n golygu fod mesur y gorswm yn 6.5% ar gyfer 2017. Yn ystod y flwyddyn, roedd symudiad ffafriol o £46m, heb fed yn arian parod, o ran enillion actlwaraid neu gynlluniau pensiwn.

Three of the five efficiency measures demonstrate how effective housing associations are at minimising financial losses from key processes and this data is set out in the charts below:

Mae tri o'r pum mesur effeithiolrwydd yn dangos pa mor effeithlon yw cymdeithasau tai wrth leihau colledion ariannol o brosesau allweddol a chaiff y data hwn ei nodi yn y siartiau islaw:

Figure 8: Voids and bad debts

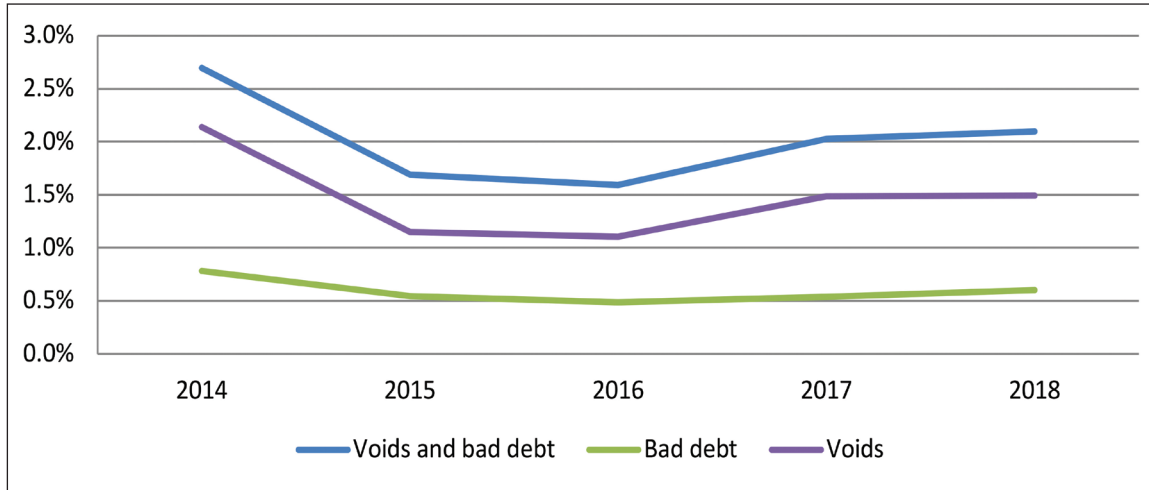
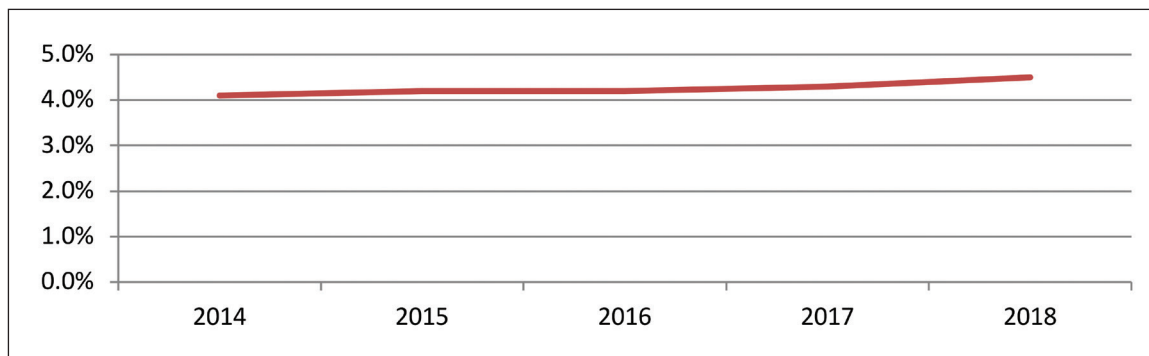


Figure 9: Gross arrears as a percentage of turnover



The voids and bad debt totals as percentages of turnover have shown a slight increase in 2018. Voids have remained static at 1.5% and bad debts have shown a slight increase from 0.5% to 0.6%. There will be differing reasons for this increase among housing associations, however part of this will undoubtedly be due to changes introduced under Welfare Reform.

The data for gross arrears as a percentage of turnover displays the continuing trend of slight annual increases; there has been a rise during the year from 4.3% to 4.5%. This has been at a time of continued change to welfare benefit entitlements and increased pressure upon income of housing association tenants. The sector has been robustly managing this risk with many, if not all, associations including it as higher priority on their risk registers. These pressures arising from Welfare Reform will further crystallize over the

Mae cyfansymiau unedau gwag a dyledion drwg fel canrannau o droiant wedi dangos cynnydd bach yn 2018. Mae unedau gwag wedi parhau yn eu hunfan ar 1.5% a dyledion drwg wedi dangos cynnydd bach o 0.5% i 0.6%. Bydd gwahanol resymau am y cynnydd hwn ymysg cymdeithasau tai, fodd bynnag mae'n ddi-os y bydd rhan o hyn oherwydd newidiadau a gyflwynwyd gan Ddiwygio Llesiant.

Mae'r data ar gyfer ôl-ddyledion gros fel canran o'r trosiant yn dangos y tueddiad parhaus o gynnydd blynyddol bach, a bu cynnydd yn ystod y flwyddyn o 4.3% i 4.5%. Bu hyn ar adeg o newid parhaus i hawl i fudd-daliadau tai a phwysau ychwanegol ar incwm tenantiaid cymdeithasau tai. Bu'r sector yn rheoli'r risg hwn yn gadarn gyda llawer, os nid y cyfan, o gymdeithasau yn ei gynnwys fel blaenoriaeth uwch ar eu cofrestris risg. Byddai'r pwysau hyn sy'n deillio o ddiwygio llesiant yn dod i'r amlwg ymhellach dros yr

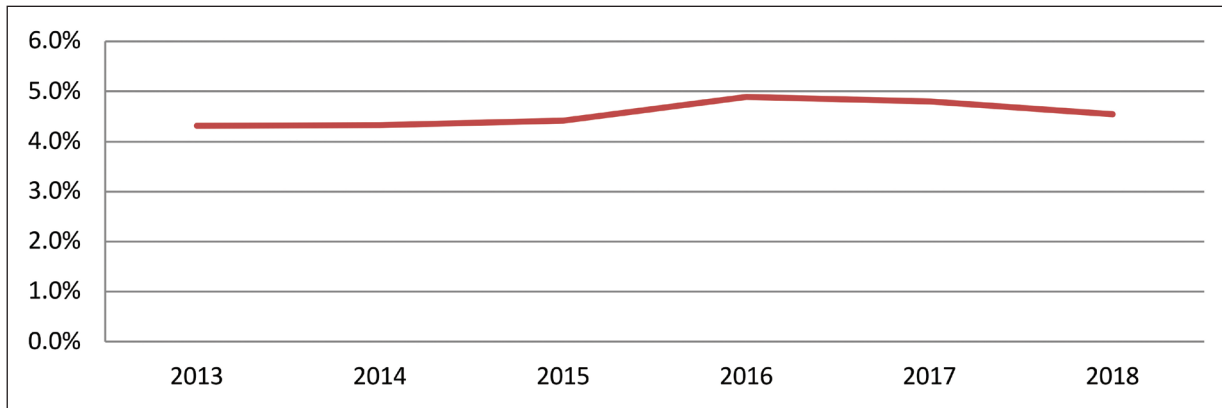
next few years as all claimants will transfer across to Universal Credit. Housing associations continue to support tenants through the process, and as at March 2018 12% of the total number of claimants have moved over to this new arrangement.

The fourth measure relating to efficiency is the weighted average cost of capital (Effective Interest Rate) and this has shown a decrease from 4.78% in 2017 to 4.55% in 2018. It is calculated as the overall interest rate the sector is paying on the money borrowed to invest in housing, and indicates the efficiency of borrowing by housing associations.

ychydig flynyddoedd nesaf gan y byd yr holl hawlwr yn trosglwyddo drosodd i'r Credyd Cynhwysol. Mae cymdeithasau tai yn parhau i gefnogi tenantiaid drwy'r broses, ac fel ym Mawrth 2018, mae 12% o gyfanswm nifer yr hawlwr wedi symud drosodd i'r trefniant newydd hwn.

Y pedwerydd mesur sy'n ymwneud ag effeithiolrwydd yw cost cyfartalog pwysedig cyfalaf (Cyfradd Log Weithredol) a dangosodd hyn ostyngiad o 4.8% yn 2017 i 4.55% yn 2018. Cafodd ei gyfrif fel y gyfradd log gyffredinol mae'r sector yn ei thalu ar yr arian a fenthycwyd i fuddsoddi mewn tai, ac mae'n dangos effeithiolrwydd benthycu gan gymdeithasau tai.

Figure 10: Effective interest rate



The average interest rate is the net effect of many factors. While short term variable interest rates are low, many associations are locked into higher priced fixed-rate interest agreements entered into several years ago. Some associations under their treasury policies will be fixing facilities, at a short term cost, in order to manage interest rate risk. Long term loan finance is available through the bond market at relatively low rates so those associations who enjoy low-priced traditional bank finance, but wish to introduce bond financing arrangements, will pay breakage costs to unwind restrictive covenants causing potential increases to their effective interest rate.

In July 2017 it was announced that the London Interbank Offered Rate (LIBOR) will no longer be published in 2021. This will be replaced with the Sterling Overnight Index Average (SONIA). Housing associations will work closely with funders over coming periods to ensure any emerging risks caused by this change are mitigated and borrowing arrangements aren't compromised.

Mae'r gyfradd log gyfartalog yn effaith net llawer o ffactorau. Er bod cyfraddau llog amrywiol tymor byr yn isel, mae llawer o gymdeithasau wedi cloi i gytundebau llog cyfradd sefydlog pris uchel yr ymrwymwyd iddynt flynyddoedd yn ôl. Dan eu polisiau trysorlys bydd rhai cymdeithasau yn gosod cyfleusterau, ar gost tymor byr, er mwyn rheoli risg cyfraddau llog. Mae cyllid benthyciadau hirdymor ar gael drwy'r farchnad bondiau ar gyfraddau llog cymharol isel felly bu'n rhaid i'r cymdeithasau hynny sy'n mwynhau cyllid traddodiadol pris isel gan fanciau dalu costau torri i lacio cyfamodau cyfyngol gan achosi cynnydd posibl yn eu cyfradd log gyffredinol wedi ei phwysoli.

Ym mis Gorffennaf 2017 dywedwyd na fydd LIBOR (Cyfradd Cynnig Rhyng-banciau Llundain) yn cael ei gyhoeddi yn 2021. Caiff hyn ei ddisodli gan SONIA (Cyfartaledd Mynegai Dros Nos Sterling). Bydd cymdeithasau tai yn gweithio'n agos gyda chyllidwyr dros y cyfnod nesaf i sicrhau y caiff unrhyw risgiau a ddaw i'r amlwg eu lliniaru ac na chaiff trefniadau benthycu eu gwanhau.

The fifth financial efficiency measure relates to free cash. This identifies whether a business is generating sufficient cash to pay for its day-to-day management and maintenance expenditure, interest payments and component replacements (replacement of items such as kitchens and bathrooms). This is a critical measure for any organisation to help it understand its financial viability and, as such, the Welsh Government requires all housing associations to report it in their annual accounts. The trend over the last three years demonstrates a rise in free cash; please refer to the cash flow section for further information.

While the efficiency of services, effectiveness and value of outcomes delivered cannot be derived wholly from the Global Accounts this document does highlight the sector's contribution to providing additional homes across Wales. Over 1,800 housing properties were added by the sector during 2017/18 with further significant developments underway. The ability of the sector to service debt and take on new debt is imperative to meeting development targets and can partially be indicated by interest cover and gearing ratios.

The first graph below, interest cover, reports the ratio of cash generated by operations compared to the interest payable on borrowings, and provides an indicator of ongoing resilience demonstrated by the sector to meet development commitments. The second graph, gearing, compares borrowings to the net assets of the organisation.

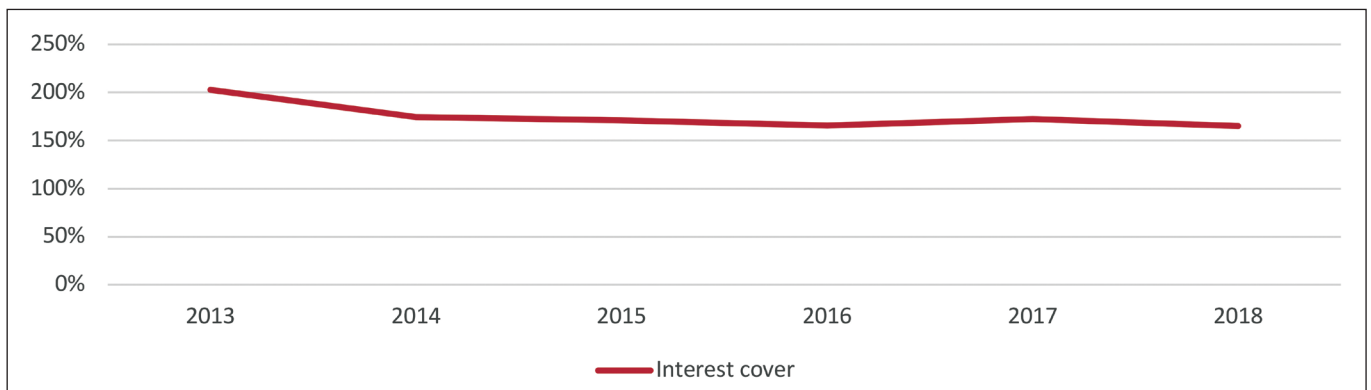
Mae pumed mesur effeithiolrwydd ariannol yn ymwneud ag arian rhydd. Mae hyn yn dynodi os yw busnes yn cynhyrchu arian digonol i dalu am ei gwariant dydd-i-ddydd ar reolaeth a chynnal a chadw, taliadau llog ac amnewid cydrannau (gosod eitemau fel ceginau ac ystafelloedd ymolchi newydd). Mae hyn yn fesur hollbwysig ar gyfer unrhyw sefydliad i'w helpu i ddeall ei hyfywedd ariannol ac, o'r herwydd, mae Llywodraeth Cymru yn ei gwneud yn ofynnol i bob cymdeithas tai adrodd hynny yn eu cyfrifon blyneddol. Mae'r tueddiad dros y tair blynedd ddiwethaf yn dangos cynnydd mewn arian rhydd; mae gwybodaeth bellach yn yr adran ar lif arian.

Er nad yw'r Cyfrifon Cynhwysfawr yn medru dangos yn llwyr beth yw effeithiolrwydd gwasanaeth, effeithlonrwydd a gwerth canlyniadau a sicrhawyd, mae'r ddogfen hon yn amlygu cyfraniad y sector at ddarparu cartrefi ychwanegol ledled Cymru.

Cafodd dros 1,800 o anheddau cymdeithasol newydd eu hychwanegu gan y sector yn ystod 2017/18 gyda datblygiadau sylweddol pellach yn mynd rhagddynt. Mae gallu'r sector i drin dyledion a chymryd dyledion newydd yn hanfodol i gyflawni'r targedau datblygu hwn a gellir ei ddangos yn rhannol drwy gymarebau sicrwydd llog a gerio.

Mae'r graff cyntaf islaw, sicrwydd llog, yn dangos cymhareb arian a gynhyrchwyd gan weithrediadau o gymharu gyda'r llog taladwy ar fenthyciadau, ac mae'n dangos nerth parhaus y sector i gyflawni ymrwymadau datblygu. Mae'r ail graff, gerio, yn cymharu benthyciadau gydag asedau net y sefydliad.

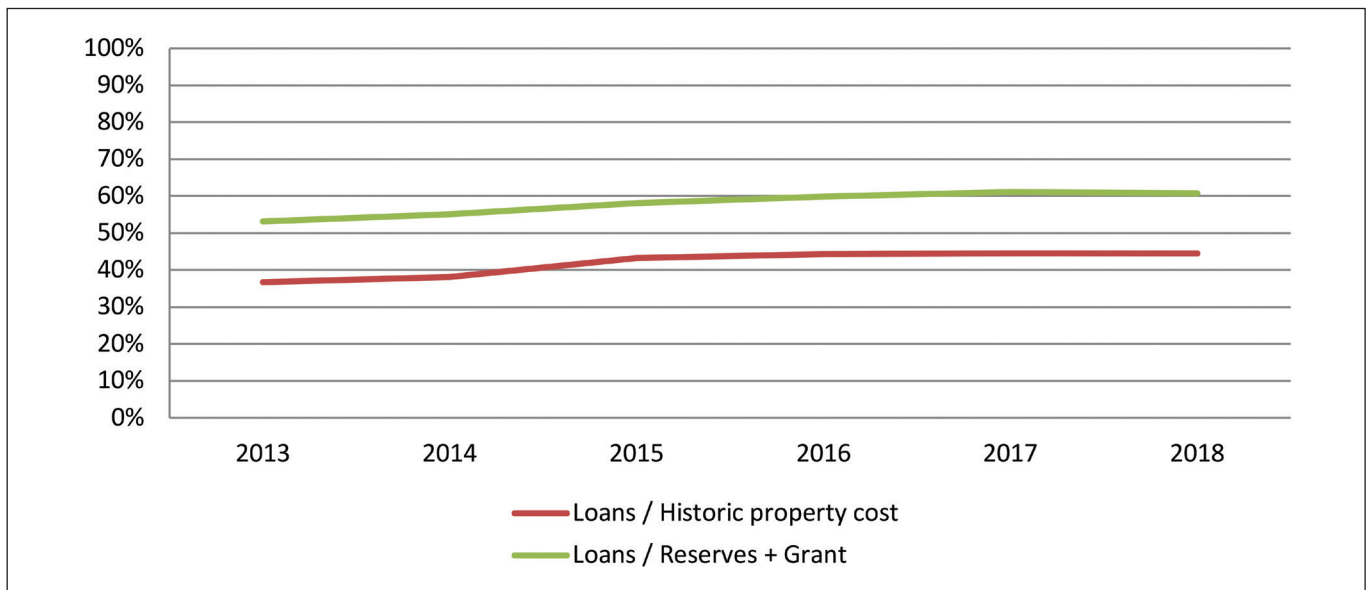
Figure 11: Interest cover (Operating surplus/interest payments)



Overall the level of interest cover has been reducing over time as associations actively develop more properties through borrowing more funds and consequently paying interest on those funds. Unless offset by increases in operating surplus this figure will continue to decrease as associations pursue further development opportunities. However, with interest cover levels consistently above 150%, the data indicates continued capacity to provide further opportunity for development.

Yn gyffredinol, bu lefel sicrwydd llog yn gostwng dros gyfnod wrth i gymdeithasau tai ddatblygu mwy o anheddau drwy fenthycia mwy o gyllid ac felly dalu llog ar y benthyciadau hynny. Os na chânt eu gwrthbwyso gan gynnydd mewn gwarged gweithredu, bydd y ffigur hwn yn parhau i ostwng wrth i gymdeithasau geisio cyfleoedd datblygu pellach. Fodd bynnag, gyda sicrwydd llog dros 150% ar hyn o bryd, dengys y data fod galluedd yn dal i fod i drin benthycia pellach ac yn y pen draw roi mwy o gyfle ar gyfer datblygiad.

Figure 12: Gearing



The assessment of gearing shown above is showing two different bases. The 'Historic property cost' basis is comparing the loans of housing associations to the depreciated historic cost of the housing properties. The level of gearing of 38% in 2013 meant just over one third of the property costs were funded by loans, and as housing associations have continued to develop and pursue low and nil grant schemes this level of gearing has steadily increased, and in 2018 was at 44%. The introduction of Housing Finance Grant (HFG) means a greater proportion of the property cost needs to be funded from loan initially. Therefore, housing associations will soon be approaching the point where half the property cost is funded by loans.

The second gearing measure 'Net Worth' (61% for 2018) compares the loans of housing associations to reserves and grants. This basis of gearing gives a higher level of gearing but does not reflect the proportion of a property that is funded from loans. With changes to the basis of accounting to be compliant with FRS102, this 'Net Worth' basis of gearing will become increasingly difficult to calculate from the Global Accounts information.

Mae'r asesiad uchod o gerio a welir uchod yn dangos dwy sylfaen wahanol. Mae sail 'cost hanesyddol' yn cymharu benthyciadau cymdeithasau tai gyda chost hanesyddol yr anheddau wedi'i ddibrisio. Roedd lefel gerio o 38% yn 2013 yn golygu y cafodd ychydig dan draean costau eiddo eu hariannu gan fenthyciadau. Mae'r lefel hon o gerio wedi cynyddu wrth i gymdeithasau tai barhau i ddatblygu a dilyn cynlluniau grant isel a dim grant, ac roedd yn 44% yn 2018. Mae cyflwyno'r Grant Cyllid Tai yn golygu fod angen ariannu cyfran uwch o gost anheddau o fenthyciad i ddechrau. Felly, bydd cymdeithasau tai cyn hir yn agosáu at y pwynt lle caiff hanner cost eiddo ei gyllido gan fenthyciadau.

Mae 'gwerth net', yr ail fesur gerio (61% ar gyfer 2018) yn cymharu benthyciadau cymdeithasau tai gyda chronfeydd wrth gefn a grantiau. Mae'r sail hon o gerio yn rhoi lefel uwch o gerio ond nid yw'n adlewyrchu cyfran eiddo a gyllidir o fenthyciadau. Gyda newidiadau i sail cyfrifeg i gydymffurfio gyda FRS102, daw'n gynyddol anodd cyfrif sail 'gwerth net' hwn o wybodaeth Cyfrifon Cynhwysfawr. Felly, nid yw sail 'gwerth net' o gerio yn cydymffurfio â FRS102.

The absence of any decreases in gearing level trends is a reflection of housing associations employing their assets effectively to lever in required borrowing. On a historic cost basis with less than 50% of the property costs funded by loans, associations collectively cannot be considered highly geared and therefore suggests existence of available financial capacity.

This suite of VfM measures are purely financial value metrics that can be calculated from the financial accounts published by each housing association. However, further work is necessary to develop additional VfM measures to promote transparency and accountability. CHC continually works with the sector to support their activities in promoting enhanced transparency, including social value accrued through housing association activity. It is also anticipated these financial metrics will be reviewed periodically to ensure they remain relevant and meaningful to the sector, its stakeholders and commentators. Ensuring the level of rent payable is affordable and equitable is crucial for tenants and for association's tenant-centred outlook - this VfM data can help support the affordability principle.

The Welsh Government is reviewing the Rent Policy during 2018/19. The sector will be working closely with Welsh Government colleagues to ensure any new policy takes into account affordability for tenants as well as the ongoing financial sustainability needs of associations.

Mae absenoldeb unrhyw ostyngiad mewn tueddiadau lefel gerio yn dangos bod cymdeithasau tai yn defnyddio eu hasedau'n fwy effeithlon i ysgogi benthyca sydd ei angen. Ar sail 'cost hanesyddol' gyda llai na 50% o gostau eiddo yn cael eu cyllido gan fenthyciadau, ni ellir ystyried fod cymdeithasau gyda'i gilydd wedi gerio'n uchel ac felly ymddengys fod galluedd ariannol ar gael.

Mae'r gyfres o fesurau Gwerth am Arian yn fetrigau ariannol llwyr y gellir eu cyfrif o'r cyfrifon ariannol a gyhoeddir gan bob cymdeithas tai. Fodd bynnag, mae angen gwneud mwy o waith i ddatblygu mesurau Gwerth am Arian ychwanegol i hyrwyddo tryloywder a hygyrchedd. Mae CHC yn gweithio'n barhaus gyda'r sector i gefnogi eu gwaith i hyrwyddo a dangos y gwerth cymdeithasol a gronnir drwy weithgaredd cymdeithasau tai. Rhagwelir hefyd y caiff y metrigau ariannol eu hadolygu'n gyfnodol i sicrhau eu bod yn parhau'n berthnasol ac ystyrlon. Mae sicrhau bod lefel y rhent taladwy yn fforddiadwy ac yn deg yn hanfodol ar gyfer tenantiaid ac ar gyfer safbwynt canoli ar denantiaid cymdeithasau - gall y data Gwerth am Arian yma gefnogi egwyddor fforddiadwyedd.

Mae Llywodraeth Cymru yn adolygu'r Polisi Rhent yn ystod 2018/19. Bydd y sector yn gweithio'n agos gyda chydweithwyr yn Llywodraeth Cymru i wneud yn siŵr fod unrhyw bolisi rhent newydd yn sicrhau fod rhenti'n parhau'n fforddiadwy tra'n sicrhau bod cymdeithasau tai yn parhau'n ariannol gynaliadwy.



05

**Private
Finance
Summary**

**Crynodeb
Cyllid
Preifat**

Private Finance Summary

Crynodeb Cyllid Preifat

Figure 13: Loans by lender, short and long term

Lender	2018 Loan Drawn £m	2018 Loan Outstanding £m	2018 Loan Undrawn £m	2018 outstanding & undrawn loan £m	2017 outstanding & undrawn loan £m	2018 Rank	2017 Rank
Barclays	486	469	186	656	596	1	1
Nat West / RBS	365	312	104	416	471	2	2
Lloyds / HBOS	294	272	85	357	390	3	3
Nationwide	354	288	41	329	344	4	4
M&G Investments	284	282	5	287	279	5	6
THFC	268	265	13	278	234	6	7
Santander	157	154	87	241	294	7	5
Individual Public Bond	160	160	-	160	n/a	8	n/a
Principality Building Society	199	146	8	154	160	9	8
Affordable Housing Finance	101	101	-	101	101	10	9
Dexia	98	71	-	71	74	11	10
European Investment Bank	44	44	14	58	58	12	11
BAE Systems Pension Fund	35	35	10	45	20	13	17
Yorkshire Building Society	20	20	20	40	40	14	13
Orchardbrook	53	38	-	38	40	15	12
Pension Insurance Corp.	35	35	-	35	35	16	14
Cooperative Bank	39	28	-	28	29	17	15
Housing Securities Ltd	28	28	-	28	28	18	16
Standard Life	26	26	-	26	n/a	19	n/a
Triodos Bank	10	10	15	25	10	20	18
Unity Trust Bank	10	8	2	11	9	21	21
Clydesdale Bank	0	0	10	10	10	22	19
Aviva	9	9	-	9	9	23	20
GB Social Housing	7	7	-	7	4	24	23
Handelsbanken	5	4	-	4	5	25	22
Bank of Ireland	5	2	-	2	2	26	24
Total	3,092	2,814	600	3,414	3,242		

Short and long term debt

	2018 Loan Facility £m	2017 Loan Facility £m
Short term (up to 5 years)	282	239
Long term (over 5 years)	3,410	3,275
Total	3,692	3,514

Figure 14: 2018 New debt

Lender	2018 New Facility £m	2018 New Finance Drawn £m
Individual Public Bond	160	160
Barclays	71	46
THFC	42	30
Standard Life	26	26
BAE Systems Pension Fund	25	15
M&G Investments	25	25
Natwest / RBS	20	8
Triodos Bank	15	-
GB Social Housing	4	4
Unity Trust	3	2
Affordable Housing Finance	-	13
Lloyds / HBOS	-	12
	391	341

During 2018 £391m of new debt facility was arranged, a 76% rise from £222m in 2017. 40% of this new debt included a public bond issuance of £160m for one housing association. Along with this individual public bond the other new entrant into the sector was Standard Life with a facility totalling £26m. Other notable new facilities include Barclays (£71m), THFC (£42m), M&G Investments and BAE Systems pension Fund, both with new facilities of £25m each. Increases in facilities from traditional banks are generally shorter term, with the sector continuing to seek alternative modes of longer term funding through Bond finance / institutional investors that can be attractive to associations in respect of term, flexibility and overall cost of funds.

The net rise in total amount of drawn and undrawn facility in 2018 was £172m, increasing from £3,242m to £3,414m, with the top 4 funders out of the 26 listed supporting just over 50% of total debt. During the period the sector arranged £391m of new facilities meaning the net position is that the sector has repaid £219m of older debt. These payments are a combination of profile settlements of loans, or repayment of loans as part of re-financing exercises.

Trefnwyd £391m o gyfleuster dyled newydd yn ystod 2018, cynnydd o 76% o £222m yn 2017. Roedd 40% o'r ddyled newydd yma yn cynnwys dyroddi bond cyhoeddus o £160m i un gymdeithas tai. Ynghyd â'r bond cyhoeddus unigol hwn, y newydd-ddyfodiad arall yn y sector oedd Standard Life gyda chyfleuster yn gyfanswm o £26m. Mae cyfleusterau newydd eraill yn cynnwys Barclays (£71m), THFC (£42m), M&G Investments a Chronfa Pensiwn BAE Systems, y ddau gyda chyfleusterau newydd o £25m yr un. Mae cynnydd mewn cyfleusterau gan fanciau traddodiadol yn gyffredinol yn rhai tymor byrrach, gyda'r sector yn parhau i edrych am ddulliau eraill o gyllid hirdymor drwy gyllid bond/buddsoddwyr sefydliadol a all fod yn ddeniadol i gymdeithasau ar dymor, hyblygrwydd a chyfanswm cost cronfeydd.

Mae'r cynnydd net yng nghyfanwm y cyfleuster a dynnwyd ac nas tynnwyd yn 2018 yn £3,242m i £3,414m gyda'r 4 cyllidwr uchaf allan o'r 26 a restrwyd yn cefnogi ychydig dros 50% o gyfanswm dyled. Yn ystod y cyfnod trefnodd y sector £391m o gyfleusterau newydd yn golygu mai'r sefyllfa net yw bod y sector wedi ad-dalu £219m o ddyled hŷn. Mae'r taliadau hyn yn gyfuniad o setliadau proffil benthyciadau, neu ad-dalu benthyciadau fel rhan o ymarferion ailgyllido.

Effective rate of interest

The overall interest paid by the sector was £122m, a rise from £120m in 2017. The effective interest rate for the sector for 2018 was 4.55% (4.78% in 2017); the traditional housing association rate was 4.12% (4.34% in 2017) and for LSVTs the rate was 6.15% (6.30% in 2017). During the period (November 2017) the Bank of England Base Rate rose from to 0.25% to 0.50%. While this increase is relatively small the fact banks are willing to change a key metric after such a long period of low rates is arguably more important than the margin of the change itself. This suite of Global Accounts shows that associations continue to remain well-placed to service financial commitments when they fall due.

Inevitably favourable interest rates will not remain indefinitely and effective treasury management and comprehensive business plan stress-testing will be needed to help associations manage risk accordingly. If, as seen, housing associations are to buy out restrictive loan covenants to increase their longer term borrowing capacity then a consequence is likely to be increased funding costs. Therefore even during relatively benign economic periods there may be an increase in the effective interest rate.

The level of fixed rate debt in the sector is 71% (74% in 2017). The end date for these tranches of debt is spread over the next thirty years, with a little over 11% due to end between 5 and 10 years as illustrated in the table below. The use of long term fixes does provide the sector with a degree of certainty on forecasting borrowing costs.

Similarly, the Bullet Repayment debt, paid in full at the end of the loan term, is also spread over the next thirty years with two thirds profiled for repayment during the second half of this period.

Given the current debt levels and the profiles shown below the sector is, to a reasonable degree, protected against future interest rate rises.

Cyfradd log weithredol

Cyfanswm lefel y llog a dalwyd gan y sector oedd £122m, cynnydd o £120m yn 2017. Roedd cyfradd log weithredol y sector yn 2018 yn 4.55% (4.78% yn 2017); roedd cyfradd cymdeithasau tai traddodiadol yn 4.12% (4.34% yn 2017) a chyfradd LSVT yn 6.15% (6.30% yn 2017). Yn ystod y cyfnod (Tachwedd 2017) cynyddodd Cyfradd Sylfaen Banc Lloegr o 0.25% i 0.50%. Er bod y cynnydd hwn yn gymharol llai gellid dadlau fod y ffaith fod banciau yn fodlon i newid metrig allweddol ar ôl cyfnod hir o gyfraddau isel yn bwysicach na maint y newid ei hunan. Mae'r gyfradd o Gyfrifon Cynhwysfawr yn dangos bod cymdeithasau'n parhau i barhau i fod mewn safle da i drin ymrwymadau ariannol pan ddeuant yn ddyledus.

Yn anochel, ni fydd cyfraddau llog ffafriol yn parhau am gyfnod amhenodol felly bydd rheolaeth trysorlys effeithlon a phroffion straen cynhwysfawr ar gynlluniau busnes yn helpu cymdeithasau i reoli risg yn unol â hynny. Os, fel y gwelir, bod cymdeithasau tai yn prynu allan gyfamodau benthyciad cyfyngol i wella eu sefyllfa ariannol tymor hirach yna mae'n debygol y bydd costau uwch i dalu i gyllidwyr yn ganlyniad. Felly hyd yn oed yn ystod cyfnodau economaidd cymharol ffafriol, gallai cynnydd yn y gyfradd log weithredol ddigwydd yn y dyfodol.

Mae lefel dyled cyfradd sefydlog yn 71% (74% yn 2017). Caiff dyddiadau olaf y dognau hyn o ddyled eu lledaenu dros y deng mlynedd ar hugain nesaf, gydag ychydig dros 11% i ddod i ben rhwng 5 a 10 mlynedd fel y dangosir yn y tabl islaw. Mae defnyddio atebion tymor hir yn rhoi rhywfaint o sicrwydd i'r sector ar amcanestyn costau benthyca.

Yn yr un modd, mae dyled Ad-dalu Bwled, a gaiff eu talu'n llawn ar ddiwedd tymor y fenthyciad, hefyd yn cael ei ledaenu dros y deng mlynedd ar hugain nesaf gyda dau-draean yn cael ei broffilio i'w ad-dalu yn ystod ail hanner y cyfnod hwn.

O gofio am y lefelau dyled cyfredol a'r proffiliau a ddangosir islaw, mae'r sector - i raddfa resymol - wedi'i ddiogelu rhag cynnydd mewn cyfraddau llog yn y dyfodol.

Figure 15: End date for fixed rates (years remaining)

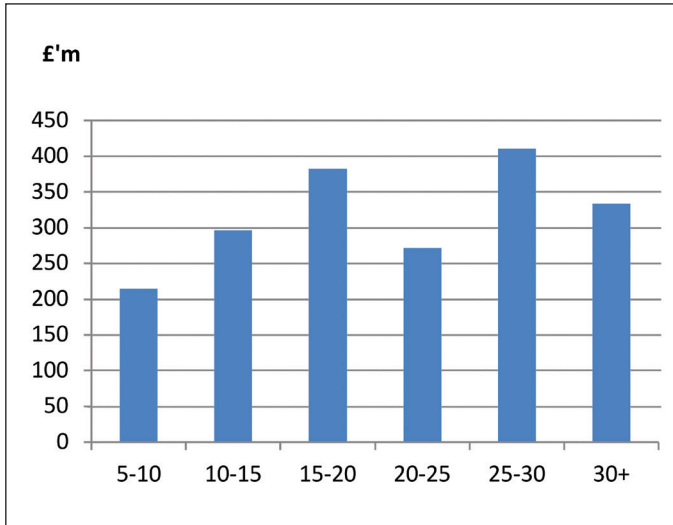


Figure 16: Bullet repayments (years to repayment)

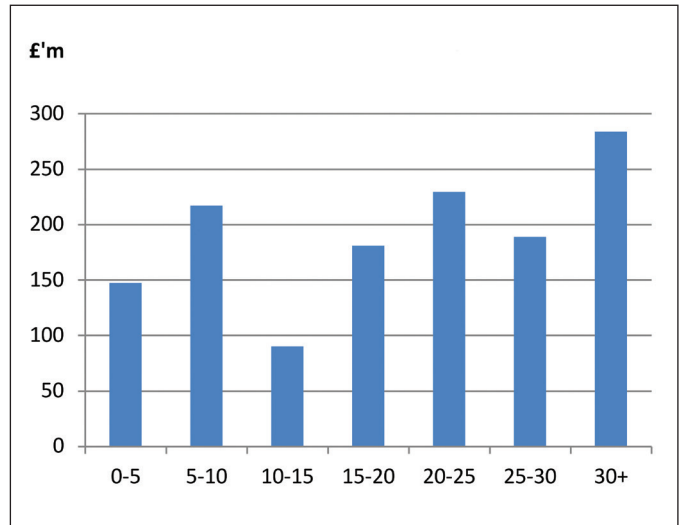


Figure 17: Proportion of facilities 2018

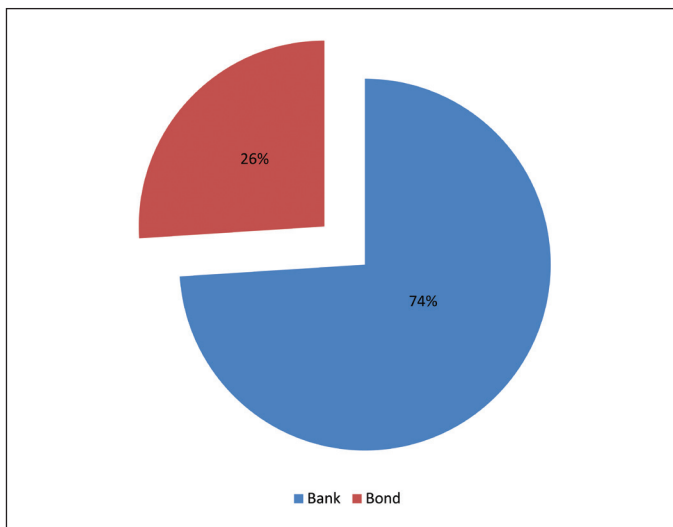
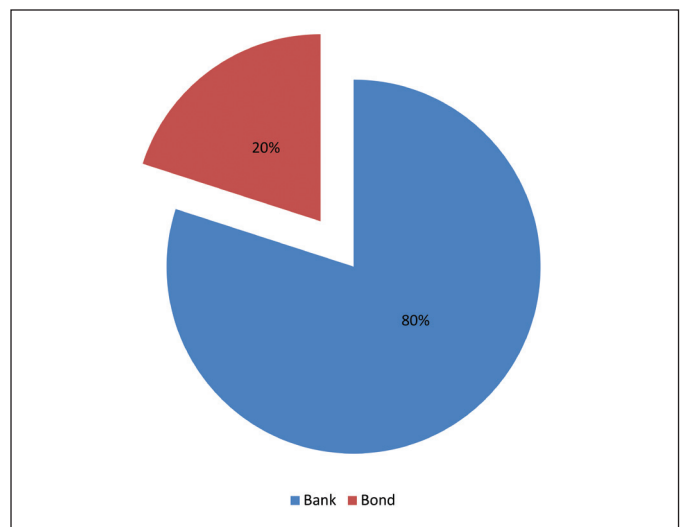


Figure 18: Proportion of facilities 2017



Welsh housing associations are increasingly exploring the option of securing bond finance for their organisations. Sector representatives, along with Welsh Government officials have liaised with funders, credit rating agencies and bank lenders, many of whom are London-based, to review funding options and to advise potential investors how the regulatory and policy environments differ in Wales compared with England. We have recently seen the first Welsh own-name bond issuance; with the prospect this kind of facility will gain greater prevalence across the sector in future.

Mae cymdeithasau tai yn gynyddol yn ymchwilio'r opsiwn o sicrhau cyllid bond ar gyfer eu sefydliadau. Mae cynrychiolwyr y sector, ynghyd â swyddogion Llywodraeth Cymru, wedi cydlynu gyda chyllidwyr, asiantaethau graddio credyd a benthycwyr banc, llawer ohonynt yn seiliedig yn Llundain, i adolygu opsiynau cyllid ac i gynghori darpar fuddsoddwyr am y gwahaniaethau yn yr amgylchedd rheoleiddio a pholisi yng Nghymru o gymharu â Lloegr. Yn ddiweddar gwelsom ddyroddiad bond enw-ei-hunan cyntaf Cymru, gyda y gobaith y daw'r math yma o gyfleuster yn fwy cyffredin ar draws y sector yn y dyfodol.



06

Trend Analysis and VfM Indicators

**Dadansoddiad
Tueddiadau a
Dangosyddion
Gwerth am Arian**

Trend Analysis and VfM Indicators

Dadansoddiad Tueddiadau a Dangosyddion Gwerth am Arian

Figure 17: Trend analysis 2016 - 2018

	2018 All	2017 All	2016 All
Growth in turnover	4.9%	0.3%	4.9%
Growth in operating costs	6.2%	-2.6%	5.3%
Growth in operating surplus	0%	12.7%	3.0%
Growth in interest paid	2.0%	7.2%	6.7%
Growth in total fixed assets	5.1%	6.8%	5.8%
Growth in long term debt	2.5%	8.4%	8.2%
Growth in capital and reserves	8.4%	6.3%	8.5%
Turnover per employee (£000s)	£92	£83	£85
Interest cover	165%	172%	166%
Number of homes	162,439	160,636	157,608

**Figure 18: Value for Money Indicators
– annual sector averages**

	2018	2017
Turnover per social housing unit	£5,294	£5,076
Total operating cost per social housing unit	£3,186	£2,990
Management costs per social housing unit	£1,217	£1,181
Reactive costs per social housing unit	£1,113	£1,091
Major repairs & components per social housing unit (Capital)	£970	£1,084
Major repairs & components per social housing unit (Capital and Revenue)	£1,252	£1,319
Bad debt costs per social housing unit	£32	£29
Weighted average cost of capital	4.6%	4.8%
Free cash inflow (outflow) per social housing unit	£383	£222
Gross arrears / social housing turnover	4.5%	4.3%
Rental void loss per social housing unit	£79	£79



08

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