Cartrefi Cymunedol Cymru
Community Housing Cymru

Noddir gan Llywodraeth Cynulliad Cymru
Sponsored by Welsh Assembly Government

Meeting the Challenge
Ateb yr Her

The 2009 Financial Statements of Welsh Housing Associations
Datganiadau Ariannol 2009 Cymdeithasau Tai Cymru

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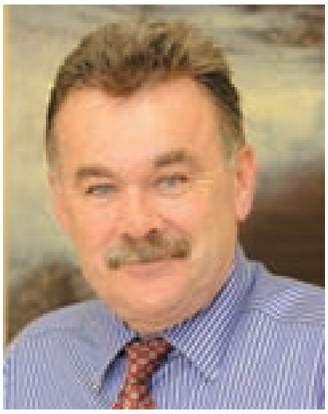

This year's Global Accounts are testimony to real delivery on the ground, in response to a new understanding and a new regulatory regime in the wake of the Essex Review. Despite the longest and deepest recession in recent memory we have;

- reached almost two thirds of the 'One Wales' target for additional affordable homes;
- funded the Mortgage Rescue scheme, rated as the most successful in the whole of the UK;
- invested through stock transfer organisations (LSVTs) in excess of £100m to meet the Welsh Housing Quality Standard;
- provided Social Housing Grant in excess of £200m over the past 2 years, and traditional Registered Social Landlords in Wales borrowed in excess of £250m.

A recent economic impact study of the sector shows that social housing expenditure in Wales is almost £500m, supporting 14,000 jobs directly and indirectly.

The evolving partnership work between the Welsh Assembly Government and the social housing sector in Wales is delivering tangible results. These achievements would not have been possible without the sector's robust financial position as evidenced in these global accounts.

As we prepare to face the challenges of a post recessionary period, as partners, we have agreed a revised and robust regulatory system which will assist innovation and continued delivery, as well as providing a strong platform for financial viability assessment of the sector for the future.

Jocelyn Davies AM, Deputy Minister for Housing and Regeneration, and Peter Cahill, Chair of Community Housing Cymru

Mae Cyfrifon Cynhwysfawr eleni yn dyst i gyflawni ar lawr gwlad, mewn ymateb i ddealltwriaeth newydd a threfn reoleiddio newydd yn dilyn Adolygiad Essex. Er i ni weld y dirwasgiad hiraf a dyfnaf yn y cyfnod diweddar rydym :

- bron wedi cyrraedd dwy ran o dair o darged 'Cymru'n Un' ar gyfer mwy o gartrefi fforddiadwy;
- wedi ariannu'r cynllun Achub Morgeisiau, a ystyrir y mwyaf llwyddiannus unrhyw le yn y Deyrnas Unedig gyfan;
- wedi buddsoddi mwy na £100m i fodloni Safon Ansawdd Tai Cymru drwy sefydliadau trosglwyddo stoc;
- dros y ddwy flynedd ddiwethaf, wedi darparu Grant Tai Cymdeithasol o fwy na £200m ac mae Landlordiaid Cymdeithasol Cofrestredig (RSL) traddodiadol yng Nghymru wedi benthyca mwy na £250m.

Dengys astudiaeth effaith economaidd diweddar o'r sector fod gwariant ar dai cymdeithasol yng Nghymru bron yn £500m, gan helpu i ariannu 14,000 o swyddi'n uniongyrchol ac anuniongyrchol.

Mae'r gwaith partneriaeth sy'n esblygu rhwng Llywodraeth Cynulliad Cymru a'r sector Cymdeithasau Tai yn sicrhau canlyniadau gweladwy. Ni fyddai'r llwyddiannau hyn wedi bod yn bosibl heb sefyllfa ariannol gadarn y sector a ddangosir yn y cyfrifon byd-eang hyn.

Wrth i ni baratoi i wynebu heriau'r cyfnod ar ôl y dirwasgiad, fel partneriaid rydym wedi cytuno ar system reoleiddio ddiwygiedig a chadarn fydd yn helpu i hybu gwaith arloesi a chyflenwi parhaus, yn ogystal â rhoi llwyfan cryf ar gyfer asesu pa mor hyfyw fydd y sector yn ariannol at y dyfodol.

Jocelyn Davies AC, y Dirprwy Weinidog dros Dai ac Adfywio, a Peter Cahill, Cadeirydd Cartrefi Cymunedol

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Executive Summary

This is the third report on the financial performance of the social housing sector in Wales, co-produced by Community Housing Cymru (CHC) and the Welsh Assembly Government. CHC is the representative body for housing associations and community mutuals in Wales.

The report includes information based on returns compiled from the audited financial statements of 32 housing associations owning more than 250 homes. The term Registered Social Landlord (RSL) is the technical term which applies to organisations funded and regulated by the Welsh Assembly Government. RSLs are also known as 'housing associations', a generic term used for all RSLs, though the organisations created as a result of local authority stock transfer are referred to as 'community housing mutuals'. Because of the distinctly different financial characteristics of these new transfer organisations the report shows information for 'traditional associations' and 'LSVTs' (large scale voluntary transfer associations).

Housing associations are social enterprises which make a significant impact on the social, economic and physical characteristics of Wales. They have three main objectives – better housing; better care and support; and better communities. They own just over 9% of all Welsh homes, carrying out a range of housing and care services to tenants and residents in addition to investing in a range of community regeneration projects. These projects make a significant impact on local communities and recent research shows that for every housing association employee, two and a half jobs continue to be secured elsewhere in the Welsh economy.

Dyma'r trydydd adroddiad ar berfformiad ariannol y sector tai cymdeithasol yng Nghymru. Fe'i cynhyrchwyd ar y cyd gan Cartrefi Cymunedol, corff cynrychioli cymdeithasau tai a sefydliadau tai cymunedol cydfuddiannol yng Nghymru, a Llywodraeth Cynulliad Cymru.

Mae'r adroddiad yn cynnwys gwybodaeth yn seiliedig ar wybodaeth a gafwyd o ddatganiadau ariannol archwiliedig 32 cymdeithas tai sy'n berchen ar fwy na 250 cartref. Landlord Cymdeithasol Cofrestredig (LCC) yw'r term technegol a ddefnyddir ar gyfer sefydliadau a gaiff eu hariannu a'u rheoleiddio gan Lywodraeth Cynulliad Cymru. Caiff LCC hefyd eu galw yn 'gymdeithasau tai', term generig a ddefnyddir ar gyfer pob LCC, er y caiff cyrff a sefydlwyd yn dilyn trosglwyddo stoc awdurdodau lleol eu galw yn 'sefydliadau tai cymunedol cydfuddiannol'. Oherwydd nodweddion ariannol neilltuol y sefydliadau trosglwyddo newydd hyn, dengys yr adroddiad wybodaeth ar gyfer 'cymdeithasau traddodiadol' a 'LSVT' (cymdeithasau trosglwyddo gwirfoddol ar raddfa fawr).

Mae cymdeithasau tai yn fentrau cymdeithasol sy'n cael effaith sylweddol ar nodweddion cymdeithasol, economaidd a ffisegol Cymru. Mae ganddynt dair prif amcan - gwell tai, gwell gofal a chefnogaeth, a gwell cymunedau. Maent yn berchen ar ychydig dros 9% o holl gartrefi Cymru, gan wneud ystod o wasanaethau tai a gofal i denantiaid a phreswylwyr yn ogystal â buddsoddi mewn amrywiaeth o brosiectau adfywio cymunedol. Mae'r prosiectau hyn yn cael effaith sylweddol ar gymunedau lleol a dengys ymchwil diweddar y caiff dwy a hanner o swyddi eu sicrhau mewn rhan arall o economi Cymru am bob un person a gyflogir gan gymdeithas tai.

The publication of the Essex Report in June 2008 sparked a significant change in the shape and direction of social housing in Wales. As a result, work to reform the sector's regulation, change management of the Social Housing Grant (SHG) programme and review the rent and cost guidance regime has begun – all of which has coincided with the global recession. This has seen a continued decline in the performance of the Welsh economy which has an impact on the ability of housing associations to maintain their financial strength. They have benefited from initiatives to stimulate the housing market, safeguard jobs in the construction sector, promote mortgage rescue and financial inclusion activity. However, they face continued challenges with more demand for homes and services, falling property prices, lower profits from the sale of fixed assets, lower interest rates, continued low inflation which impacts on income, and fewer lenders in the market place. This publication is an opportunity to see how some of these factors are reflected in the sector's financial position.

The report shows that Welsh housing associations have established a sound basis to continue investing in homes and communities into the future. The new freedoms and flexibility offered by the Essex reforms are likely to see new areas of investment by the sector as activity diversifies, but in the short term SHG and private finance are likely to continue to provide the backbone of funding for the sector.

Key points for 2009:

- The sector's homes have increased to 122,841.
- Housing property cost totals £3.5bn and is backed by grants of £2.2bn.
- Debt increased to £1.1bn.
- Reserves have increased to £408m.
- Turnover is £434m, and operating costs rose to £350m, producing an operating surplus of £84m.
- Surplus for the year is £27m.

Dechreuodd cyhoeddiad Adroddiad Essex ym Mehefin 2008 ar newid sylweddol yn siâp a chyfeiriad tai cymdeithasol yng Nghymru. Fel canlyniad, dechreuodd gwaith i ddiwygio rheoleiddiad y sector, rheoli newid yn y rhaglen Grant Tai Cymdeithasol ac adolygu'r system rhent a chanllaw costau - sydd i gyd wedi cyd-daro gyda'r dirwasgiad byd-eang. Gwelodd hyn ostyngiad parhaus ym mherfformiad economi Cymru a gafodd effaith ar allu cymdeithasau tai i gynnal eu nerth ariannol. Maent wedi manteisio ar gynlluniau i ysgogi'r farchnad tai, diogelu swyddi yn y sector adeiladu, hyrwyddo mwy o weithgaredd achub morgeisiau a chynhwysiant ariannol. Fodd bynnag, maent yn wynebu heriau parhaus gyda mwy o alw am gartrefi a gwasanaethau, gostyngiad ym mhris eiddo, elw is o werthu asedau sefydlog, cyfraddau llog is, chwyddiant sy'n parhau'n isel ac yn effeithio ar incwm, a llai o fenthycwyr yn y farchnad. Mae'r cyhoeddiad hwn yn gyfle i weld sut y caiff rhai o'r ffactorau hyn eu hadlewyrchu yn sefyllfa ariannol y sector.

Dengys yr adroddiad fod cymdeithasau tai Cymru wedi sefydlu sylfaen gadarn i barhau i fuddsoddi mewn cartrefi a chymunedau i'r dyfodol. Mae'r rhyddid a'r hyblygrwydd newydd a gynigir gan ddiwygiadau Essex yn debygol o weld meysydd newydd o fuddsoddiad gan y sector wrth i weithgaredd arallgyfeirio, ond yn y tymor byr, mae'n debyg y bydd Grant Tai Cymdeithasol a chyllid preifat yn parhau i fod yn asgwrn cefn cyllid y sector.

Pwyntiau allweddol ar gyfer 2009:

- Mae nifer cartrefi'r sector wedi cynyddu i 122,841.
- Mae cost anheddau yn gyfanswm o £3.5bn a gefnogir gan grantiau o £2.2bn.
- Cynyddodd dyled i £1.1bn.
- Cynyddodd cronfeydd wrth gefn i £408m.
- Mae'r trosiant yn £434m, a chynyddodd costau gweithredu i £350m, gan roi gwarged gweithredu o £84m.
- Mae'r gwarged am y flwyddyn yn £27m.

Newport City Homes Future Jobs Fund trainees receive tool kits from Robert Price. Being fully kitted out will give them a brighter future in obtaining employment in the construction industry.

03
Operating and Financial Review

Background

The Welsh housing association sector is increasingly diverse, including associations of different sizes – not only in terms of the number of homes they own and manage but also in their origin and the range of activities carried out. The sector has grown substantially over the last 30 years and now provides 122,841 homes. The creation of new LSVT associations continues to provide a significant element of growth in recent years. This report features the financial performance of the 32 associations who own the most homes in the sector and carry out its development activity. It considers, where appropriate, new LSVTs and traditional associations separately.

This report includes information from eight LSVTs, three of which have been created in the year and are included in the report for the first time (Cartrefi Conwy, Merthyr Valleys Homes and Newport City Homes). The significant driver for the creation of these LSVTs is the need to meet the Welsh Assembly Government's Welsh Housing Quality Standard (WHQS) by 2012. Over 40% of homes in the Welsh housing association sector are now owned by LSVTs.

These LSVTs have significantly different financial characteristics compared to those of traditional housing associations, in addition to their size. They have higher levels of gearing compared to traditional housing associations, and can have typically low fixed asset values relative to their size. This is due to their need to obtain private finance to meet WHQS, and because of the low stock value shown on LSVT Balance Sheets, due to the condition of stock transferred from local authorities. Many LSVTs also incur significant one off costs in set up, and may therefore have low levels of reserves in their early years.

Within traditional associations, the trend for increased diversification into other areas such as student housing continues. These changes demonstrate the desire to generate additional resources to provide more social housing and related services and to increase their beneficial impact on Wales in general.

Associations are growing and developing with Social Housing Grant (SHG) from the Welsh Assembly Government or through unsubsidised schemes. The Welsh Assembly only channels SHG for new development to associations which belong to one of the six procurement consortia now set up in Wales. Many associations have diversified into other activities, including specialist housing, care homes, student accommodation and supported housing, which bring their own particular challenges.

Wider economic picture in Wales

The economic picture in Wales must be considered in a historical context, not just in the more recent impact of the credit crunch and the world-wide recession. Economic output per head has been lower in Wales than in other parts of the UK (and most other parts of Western Europe) for a very long time. However, this is at least partially offset by a lower cost of living within Wales. Property prices in Wales have also been well below the UK average for many years. Within the Welsh economy there is a higher reliance on the service sector and the public sector in particular, compared to other parts of the UK. Many parts of Wales suffered from the continuous decline in heavy industry over the 20th century, leaving a long term legacy of relatively high unemployment.

Although unemployment has declined in recent years, rates in some parts of the industrial heartlands still tend to be higher than the Welsh average, and economic inactivity continues to be a major problem in these areas.

Population predictions for Wales suggest average household sizes will continue to decrease. These predictions, plus the particular economic challenges noted above, demonstrate the vital role that Welsh housing associations do play and will play in shaping the future of Welsh lives.

Capturing a fun moment at one of Hafan Cymru's Regional 'Get Togethers' before Christmas when workshops were held to help service users take the stress out of Christmas. Workshops included card making, jewellery making, relaxation and this cookery class on making your own mince pies.

Regulatory regime

In light of the 'Essex Review' which was commissioned by the Welsh Assembly Government, and in the context of the 'One Wales' agenda, the four work-streams tasked to explore the findings of the review identified a number of short term priorities, including:

- responding to the credit crunch
- a revised Regulatory Framework for housing associations
- a revised SHG system
- enabling a more strategic role for housing associations
- releasing Assembly Government land for affordable housing
- giving more freedoms to housing associations
- maximising all possible sources of money
- improving relationships and partnership working to achieve better delivery of services
- implementing a Change programme within the Housing Division of the Welsh Assembly Government to help deliver this agenda and take a new approach.

Significant benefits in terms of additional resources found from the Strategic Capital Investment Fund (SCIF) and new land sites have already been seen, together with an emphasis on reducing bureaucracy including streamlining the General Consent Order for disposal of properties, a revised Homebuy product, and a relaxation of restrictions on the creation of group structures. Work also continues on an intermediate rental product, the Welsh Housing Investment Trust, reviews of both SHG and Physical Adaptation Grants (PAGs - funding for improvements to the homes of disabled tenants), rent models and strengthening the Local Authority strategic role.

However, the most far reaching elements proposed relate to the regulation of Welsh housing associations. Endorsed by housing associations and their stakeholders, work is continuing within the Welsh Assembly Government to establish a new regulatory framework for housing associations in Wales based on robust self-assessment and a rigorous, risk-based and proportionate regulatory approach. The framework is intended to:

- drive strong accountability
- provide a citizen-focused approach
- retain independence
- ensure proportionality
- deliver consistency of approach
- inform policy review and development
- promote effective governance and planning, improvement and shared learning
- drive a strategic rather than a resource intensive approach to regulation.

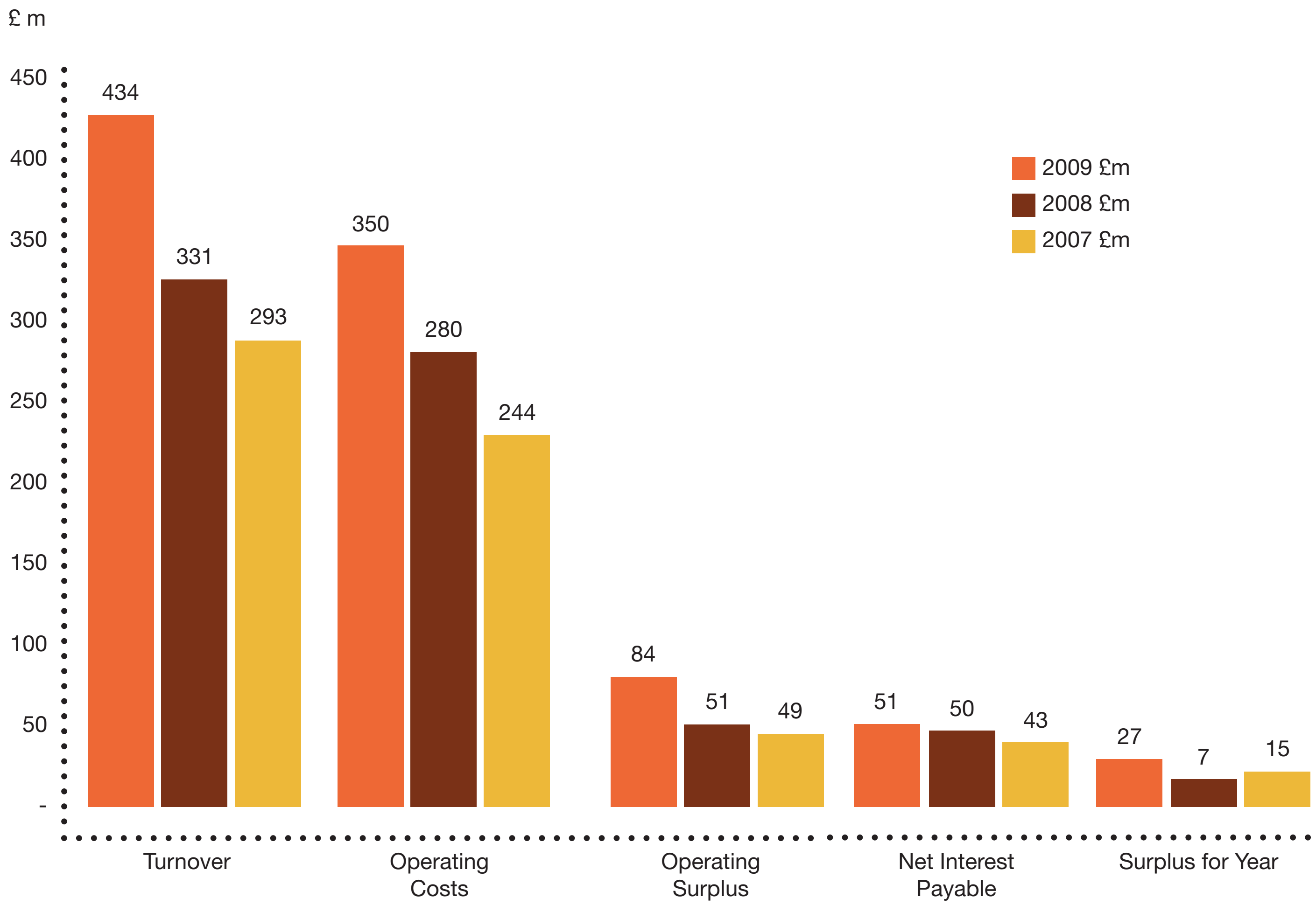
The intended outcome of this work is to establish a governance code and an enhanced regulatory framework to support the activities of housing associations in Wales.

Dynamics of the Welsh Social Housing Sector

In overall terms, Welsh housing associations continue to operate on a sound financial footing. Turnover for both traditional and LSVT associations has increased, and their balance sheets have continued to grow. Most key ratios have stabilised or improved, despite the challenges faced by the sector in recent years.

At the individual association level, the impact of trends will vary from housing association to housing association, and will also depend on the nature of the activities undertaken, the nature of any care activities, geographical location and spread, client groups, the age and condition of its housing stock and the structure of its new developments.

Figure 1: Income and Expenditure Accounts for All Associations 2007 - 2009



More generally the provision of affordable housing provision is determined by a range of factors, including Section 106 of the Town and Country Planning act 1980 arrangements and other arrangements available from the private sector, the rent benchmarking system, acceptable cost guidance, grant rates, likely future maintenance costs and the cost of private finance. Section 106 agreements ensure that contributions are made by the developer towards offsetting the costs of external development – which may take the form of contributions towards the upkeep of local services or the provision of homes to housing associations for social housing purposes. This valuable source of new housing therefore presents a significant link to housing associations and the wider economy at large.

These factors exist separately of each other and can consequently present financial challenges for individual associations. As associations have continued to increase their gearing in recent years, the need to manage these pressures has become increasingly acute. However, the sector interest cover ratios have been maintained throughout this period as costs have been controlled, and the longer term decline in margins has been arrested (at least in the shorter term), despite the higher levels of gearing within the sector.

The commitment required to upkeep stock and in particular to achieving the Welsh Housing Quality Standard by 2012 also presents further challenges for the Welsh social housing sector. The scale of effort required will vary from association to association, based on both external and internal factors. Internal factors depend largely on the condition of existing stock, and external factors include the future cost of finance and the extent to which costs can be appropriately capitalised, and possible inflation over the coming years. There may also be issues of a fluctuating cost base for some associations where many of their properties could require improvements or major repairs at the same time. These issues will require close scrutiny and management if targets are to be achieved.

The economic situation in the UK has also brought significant pressures on social housing in general, much of which impact on private finance including increased margins, increased scrutiny and compliance on covenants and increased demand for private finance when wholesale funds are less available. Other risks include that of increased contractor failure, possible inflationary pressures and a reduced availability of development under Section 106, and reduced availability of private sector partners in general. There is also the possibility that public sector funding will come under increasing scrutiny and pressure in future years. However, against all of this there may be new opportunities available in the current residential market. Housing associations will need to manage these issues and monitor cash flows very closely throughout the period of change to manage these risks.

Other issues include increasing customer expectations, continuing involvement in the regeneration of deprived areas and the stability of funding regimes for supported housing provision. Welsh housing associations will also need to address accounting regulatory changes in the short and medium term relating to the Statement of Recommended Practice for RSLs (the SORP), component accounting, fair value accounting and the implications of International Financial Reporting Standards (IFRS).

Many Welsh housing associations are contributors to the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefits scheme, and as such it is not possible to analyse the ongoing deficit by individual employer, leading to associations accounting for this as a defined contribution scheme. In common with many defined benefit schemes it showed a deficit of £663m at the last actuarial valuation as at 30 September 2008. The next formal valuation is at 30 September 2011. This, coupled with the introduction of personal accounts in 2012, presents another set of challenges. In meeting its pension liabilities and managing its long term cost base, associations will need to monitor all pension schemes very closely.

There are opportunities as well as challenges for associations in the current operating environment, not least the opportunities for new developments, but also opportunities for better procurement and recruitment and more effective consortia arrangements.

Performance in the period

Traditional housing associations

Growth

Turnover totalled £324m for the year. There was a significant increase of 9.9% in turnover for traditional associations, which is in excess of the increase in benchmarked rent (average rent increase recommended by the Welsh Assembly Government) of 4.9%. This difference was achieved through the building of new homes and diversification into other areas. Traditional associations have contributed to an additional 3,500 homes in the year and this has resulted in increased gearing by 5% to 44.4%. Social Housing Grant and private finance continue to be the main sources of development income for traditional associations.

Profitability

Operating margins have increased in the year to 18.4% from 18.2% and cash costs of capital have slightly decreased to 1.5% from 1.6%. Average interest rates have decreased to 5.8% from 6.2%. As a consequence the net surplus has increased slightly to £12m from £11m in 2008. Therefore the net interest cover position has been maintained and slightly strengthened, which is a crucial calculation for many loan covenants. However, sales of assets have fallen in the year to £2m from £6m in 2008, reflecting events in the wider economy.

LSVT associations

Growth

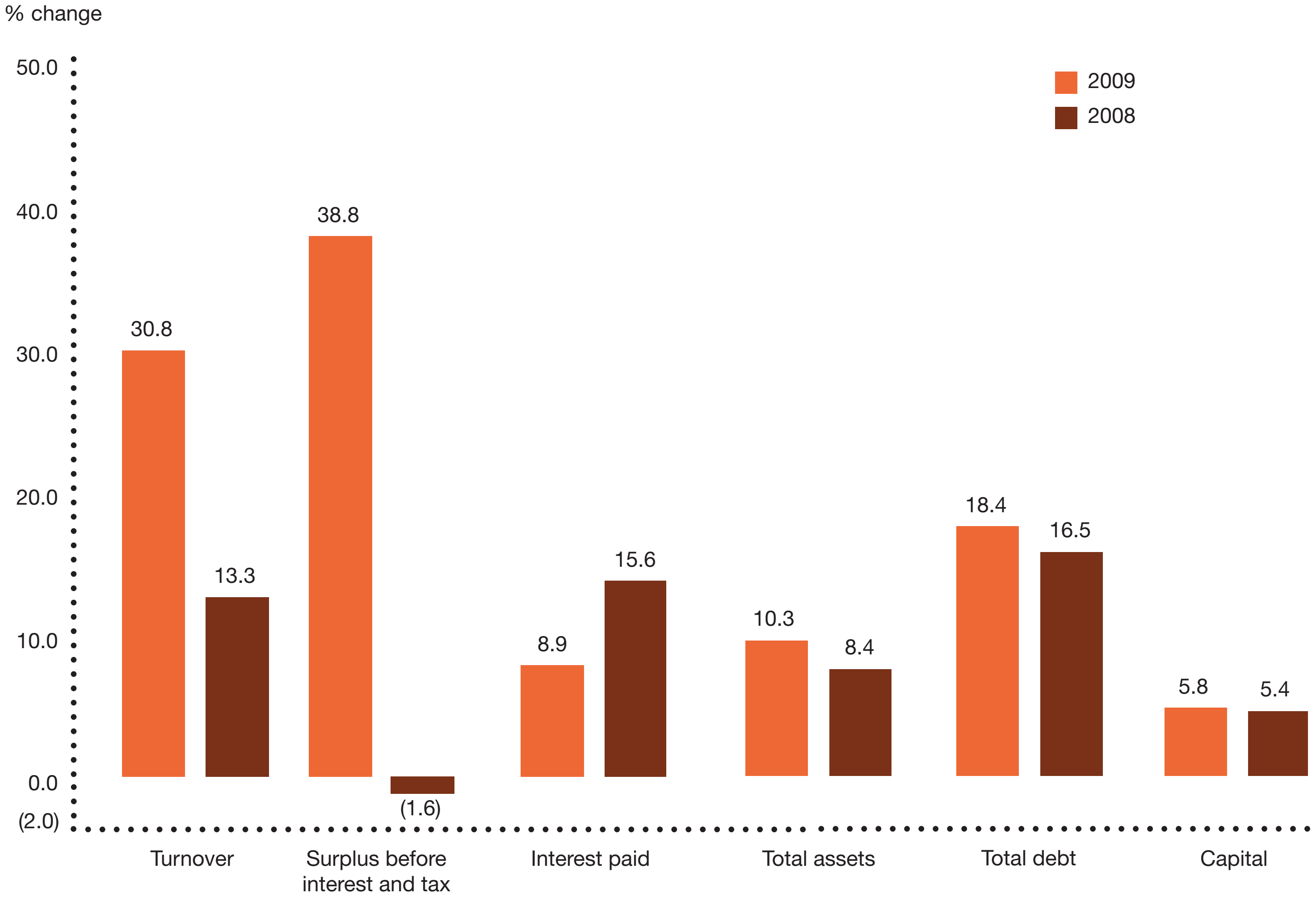
There was a substantial increase of 195% in turnover for LSVTs, which represented the majority of the increase in turnover for Welsh housing associations in the year. Turnover totalled £110m for LSVTs. The increase was partly due to the first full year of activity for a number of LSVTs, in addition to the three new associations. Gearing has increased for LSVTs, as they put in place private finance to fund improvement works for their existing homes to meet the Welsh Housing Quality Standard, in addition to the funding required for new homes. A number of LSVTs have incurred substantial set up costs in the year, which are one off in nature.

Most LSVT associations have not yet established development programmes to build new homes as they are prioritising the improvement works on their existing homes. Should they do so, Social Housing Grant and private finance will be the main source of income for these activities, as with traditional associations.

Profitability

The key trends for LSVTs have improved in the year. Operating margins have increased significantly and cash costs have stabilised. Despite significant one off set up costs, surpluses have improved in total and LSVTs recorded positive overall retained surpluses for the year of £15m (2008 saw an overall deficit of £4m). In arriving at the surplus for the year, sales of assets have increased relatively to those of traditional housing associations from £2m in 2008 to £3m in 2009. These sales remain small relative to turnover, equivalent to 2.7% of turnover in 2009 and 5.4% of turnover in 2008 for all LSVT associations. LSVTs have also incurred significant expenditure on improvements to their existing stock within the year of £38m.

Figure 2: Growth of the Welsh Housing Association Sector 2008/09



Going forward

The need for affordable housing and the other activities provided by Welsh housing associations remains clear. However, the challenges faced by them in the current economic outlook are also clear and considerable. By maintaining their key financial ratios and continuing to expand and diversify in both traditional and new LSVT areas, Welsh housing associations have demonstrated their ability to adapt to an ever changing and increasingly complex arena.

The critical question for Welsh housing associations is whether they have the ability to increase their financial input, beyond current levels, to expand their physical output and increase the beneficial effect they have on the Welsh economy and those living in Wales.

There are significant challenges to be overcome if this is to be achieved, not least the challenge of effective management of risk and conflicting demands on limited resources. Such demands include an ageing stock profile, additional expectations from stakeholders, the future availability of grants, regeneration and improvement initiatives, future changes in law, taxation, pension schemes, the environmental/sustainability agenda and the availability of future funding and finance.

If Welsh housing associations are to address these challenges successfully then the sector must continue to innovate. New sources of funding, the ability to generate new forms of 'internal equity', efficiency savings, partnership working, effective procurement, further diversification and different forms of housing will all need careful consideration going forward.

04
2009 Housing Association Accounts

Methodology

The following analysis is based on data collated from returns submitted by the 32 largest housing associations in Wales. Three new LSVT associations were created in the financial year ending 31 March 2009 and have been included in the accounts for the first time (Cartrefi Conwy, Newport City Homes and Merthyr Valleys Homes). In the case of HA groups the results are based on consolidated financial information. The Consolidated Balance Sheet is compiled from the individual housing association balance sheets as at 31 March 2009.

The Consolidated Income and Expenditure account reflects housing association activity for the period 1 April 2008 to 31 March 2009. Where a housing association has a December year end, the results to 31 December 2008 have been used.

Consolidated Balance Sheet (see Figure 3)

The sector's total assets grew by 10.3% compared to 8.4% in 2008. The majority of this growth was in social housing properties. The sector spent £310m on housing stock compared to £193m in 2008 and £150m in 2007.

A tenant of Family Housing's Hazel Court in Sketty welcomes HRH The Princess Royal to her home during the official opening of the scheme.

Figure 3: Consolidated Balance Sheet

	Traditional 2009 £m	LSVT 2009 £m	All Assoc 2009 £m	All Assoc 2008 £m	All Assoc 2007 £m
FIXED ASSETS					
Housing properties at cost	3,385	109	3,494	3,184	2,991
Revaluation surplus	110	-	110	104	94
	3,495	109	3,604	3,288	3,085
Capital grants	(2,120)	(53)	(2,173)	(2,052)	(1,966)
Depreciation	(60)	(2)	(62)	(54)	(44)
Net book value of housing properties	1,315	54	1,369	1,182	1,075
Commercial property	14	-	14	5	7
Fixed asset investments	66	2	68	70	55
Less SHG	(49)	(2)	(51)	(59)	(49)
Other fixed assets	41	7	48	50	45
Total fixed assets	1,387	61	1,448	1,248	1,133
CURRENT ASSETS					
Non-liquid current assets	114	17	131	92	60
Cash and short term investments	99	15	114	96	82
Other current assets	16	2	18	23	5
LGPS Pension assets	-	3	3	-	-
Total current assets	229	37	266	211	147
CURRENT LIABILITIES					
Short term loans	(25)	(9)	(34)	(21)	(16)
Bank overdrafts	(1)	-	(1)	(2)	(1)
Other current liabilities	(130)	(31)	(161)	(116)	(94)
Total current liabilities	(156)	(40)	(196)	(139)	(111)
Net current assets/(liabilities)	73	(3)	70	72	36
Total assets less current liabilities	1,460	58	1,518	1,320	1,169
LONG TERM CREDITORS AND PROVISIONS					
Long term loans	(1,038)	(43)	(1,081)	(920)	(793)
Other long term creditors	(16)	-	(16)	(13)	(26)
Provisions	(2)	(11)	(13)	(2)	(3)
Total long term creditors and provisions	(1,056)	(54)	(1,110)	(935)	(822)
NET ASSETS	404	4	408	385	347
RESERVES					
Accumulated surplus	178	7	185	159	130
Designated reserves	87	6	93	89	116
Restricted reserves	6	-	6	11	7
LGPS Pension reserves	-	(9)	(9)	-	-
Revaluation reserves	133	-	133	126	94
Total reserves	404	4	408	385	347

Traditional Sector

The gross cost/valuation of the traditional sector's assets rose by 8.6% to £3,495m. An additional £272m was spent by the traditional sector on social housing stock.

The figure of £272m above excluded the amount spent on non-social housing assets such as student accommodation which are accounted for under FRS 5: "Reporting the substance of transactions". Expenditure on additional student accommodation amounted to £20m (2008 - £23m). This spend is reflected in the non liquid current assets figure of £114m (2008 - £80m).

Total capital grants amounted to £2,120m, a rise of £113m (5.6%). Grant receivable in 2009 as a proportion of capital cost for that year fell within the traditional housing sector to 41.5% (2008 – 44.6%) for the sector as a whole in the year. Grant funded development schemes generally attract 58% grant funding. The fall in grant receivable as a proportion of capital cost suggests that associations are undertaking more non-grant funded developments. This is borne out by the fact that £159m capital spend on housing stock was privately funded. This is a considerable rise when compared to the whole sector's privately funded capital spend of £107m in 2008.

Total debt rose from £909m to £1,064m, a rise of 16.9% or £155m. Gearing rose from 40% in 2008 to 44.4%. The rise in debt and gearing levels shows that there was increased use of lending to provide social and non-social housing. Of the increase, £18m was to fund student accommodation which, as mentioned above, does not impact on the sector's fixed asset balance.

Total reserves for the sector rose by £17m (4.4%) from £387m to £404m, and of this figure £133m (2008 - £126m) was held in revaluation reserves.

LSVT Sector

LSVT associations capitalised £38m of improvement spend deemed to improve or enhance the quality of housing provided. Total debt rose by £18m (54.0%) from £34m to £52m. The remainder of the capitalised spend was funded by Welsh Assembly Government grant payments and internally generated cash. The balance of debt not spent on capitalised maintenance spend deemed to improve or enhance the quality of housing provided, is represented by cash balances of £15m. This is likely to be a timing difference i.e. cash being drawn down but not spent until after 31 March 2009.

All recent LSVT associations receive gap funding from the Welsh Assembly Government to assist in upgrading of properties. The amount of these annual payments is fixed and therefore not proportional to the amount spent on improving housing stock. The amount of grant payment is agreed prior to the transfer of housing stock.

The total reserves of the LSVT sector increased by £6m in 2009 to £4m from negative reserves of £2m in 2008.

Figure 4: Consolidated Income and Expenditure Account

ALL ASSOCIATIONS	Traditional 2009 £m	LSVT 2009 £m	All Assoc 2009 £m	All Assoc 2008 £m	All Assoc 2007 £m
Turnover	324	110	434	331	293
Operating costs	(264)	(86)	(350)	280	(244)
Operating surplus	60	24	84	51	49
Surplus on disposal of fixed assets	2	3	5	8	8
Exceptional items	-	(11)	(11)	2	1
Interest receivable and other income	6	4	10	6	6
Interest payable and similar charges	(56)	(5)	(61)	56	(49)
Surplus for the year before tax	12	15	27	7	15
Net transfer from/(to) reserves	3	(4)	(1)	24	(4)
	15	11	26	31	11
Prior year adjustments	-	-	-	2	(2)
Accumulated surplus/(deficit) brought forward	163	(4)	159	130	121
Accumulated surplus carried forward	178	7	185	159	130

Work started on Wales & West Housing Association's £8m Extra Care Development in Prestatyn in July 2009, which is being built in partnership with Denbighshire County Council. The 59 apartments, backed by 24 hour on-site care and support for residents, are scheduled for completion in November 2010.

Consolidated Income and Expenditure Account (See Figure 4)

Turnover as a whole rose by £103m or 31% to £434m (2008 – 13% rise) while operating costs rose by 25% to £350m (2008 – 14.7% rise).

In absolute terms operating surplus rose by £23m to £84m (2008 - rose £2m to £51m). Operating margins increased from 15.6% in 2008 to 19.3% in 2009.

There was a significant increase in the retained surplus of the whole sector. This increased from £7m in 2008 to £27m in 2009.

Traditional Sector

Within the traditional housing sector turnover rose by £30m (9.9%) while operating costs rose by £23m (9.6%). Operating surplus rose from £53m to £60m. Operating margins only increased marginally from 18.2% in 2008 to 18.4% in 2009.

Benchmark rents for the sector rose by 4.9% in 2009 (2008 – 4.6%), so the balance of the rise in turnover as a whole is due to a rise in other income and the development of new homes. The traditional sector has increased the number of homes available by around 3,500.

The traditional sector saw a significant fall in income from asset sales. Asset sales total of £6m in 2008 decreased to just £2m. This probably reflects the wider economic situation.

Net interest payable rose by just £2m to £50m. Increased gearing of the traditional sector of 44.4% (2008 - 40%) is responsible for the higher interest costs as the effective interest rate has fallen from 6.2% in 2008 to 5.5% in 2009. This decrease is due to historically low interest rates.

The overall retained surplus for the year increased by just £1m, from £11m in 2008 to £12m in 2009.

LSVT Sector

Turnover attributable to LSVT associations rose from £37m to £110m (194.7%) whilst operating costs rose by £47m (120.5%) from £39m to £86m. The increase in turnover and operating costs is primarily due to the inclusion of a full year of results from the three LSVT associations created in 2008 (RCT Homes, Monmouthshire Housing and Bron Afon Community Housing).

An operating deficit of £2m in 2008 became an operating surplus of £24m in 2009. The operating deficit in 2008 was impacted by set up costs of £7.6m, attributable to two newly established LSVTs, which other LSVT associations previously classified as exceptional costs. Of the operating costs in 2009, £37m (2008 – £16m) related to routine and planned maintenance of housing units.

The LSVT sector's share of income from asset sales increased by £1m to £3m. However, this is not a material source of income for the LSVT sector.

The exceptional item of £11m (2008 - £2m) is attributable to the set up costs incurred by the three newly established LSVT associations.

Net interest payable for the LSVT sector was just £1m compared to £2m in 2008. The sector has benefited from lower interest rates.

Figure 5: Income and expenditure from lettings

	2009 Turnover £m	2009 Operating Costs £m	2009 Operating Surplus/ (deficit) £m	2008 Turnover £m	2008 Operating Costs £m	2008 Operating Surplus/ (deficit) £m
INCOME & EXPENDITURE FROM LETTINGS						
General needs housing accommodation	316	(238)	78	235	(187)	48
Supported housing accommodation	64	(60)	4	49	(47)	2
Social housing letting totals	380	(298)	82	284	(234)	50
Student accommodation	5	(4)	1	4	(3)	1
Other letting activities	14	(14)	-	14	(13)	1
Total from lettings	399	(316)	83	302	(250)	52
OTHER INCOME & EXPENDITURE						
General needs	1	(1)	-	6	(6)	-
Support services income	1	(1)	-	9	(9)	-
Development services	2	(3)	(1)	2	(3)	(1)
Other activities	20	(18)	2	7	(7)	-
Non housing activities	11	(11)	-	5	(5)	-
Total	434	(350)	84	331	(280)	51

Income and Expenditure on Social Housing Lettings

(see Figure 5)

Letting income from social housing accommodation (including student accommodation and other lettings) rose by 32.1% (from £302m to £399m) compared to a rise in total turnover of 30.8%.

Although total letting income rose by 32.1%, operating costs rose by 26.4%. This is in contrast to the last two years where the increase in operating costs was higher than the increase in the letting income.
Overall operating margins from lettings rose from 17.2% to 20.8%. The increase in operating margins can be split between that of general needs and supported housing as follows:

Figure 6: Comparison of operating margins between general needs and supported housing

	2009	2008	Change
General needs housing accommodation	24.6%	20.4%	4.2%
Supported housing accommodation	6.3%	4.1%	2.2%

In 2009 housing associations appear to have controlled costs to a considerable extent.

Pictured are the participants of ‘Footie Fever’, a 3-day football school for children living in the Communities First area of Abergavenny. Monmouthshire Housing is working closely with partner organisations to expand the project so that it meets the high need for activities during school holidays.

Figure 7 below shows the make up of the rise in operating costs. The increase in management and maintenance costs is primarily attributable to the LSVT associations, and is due to the inclusion of a full year's results for three LSVTs . Within the traditional sector, management costs grew by 16.9% and maintenance costs by 4% compared to the overall increase of 62% for management costs and 27% for maintenance costs.

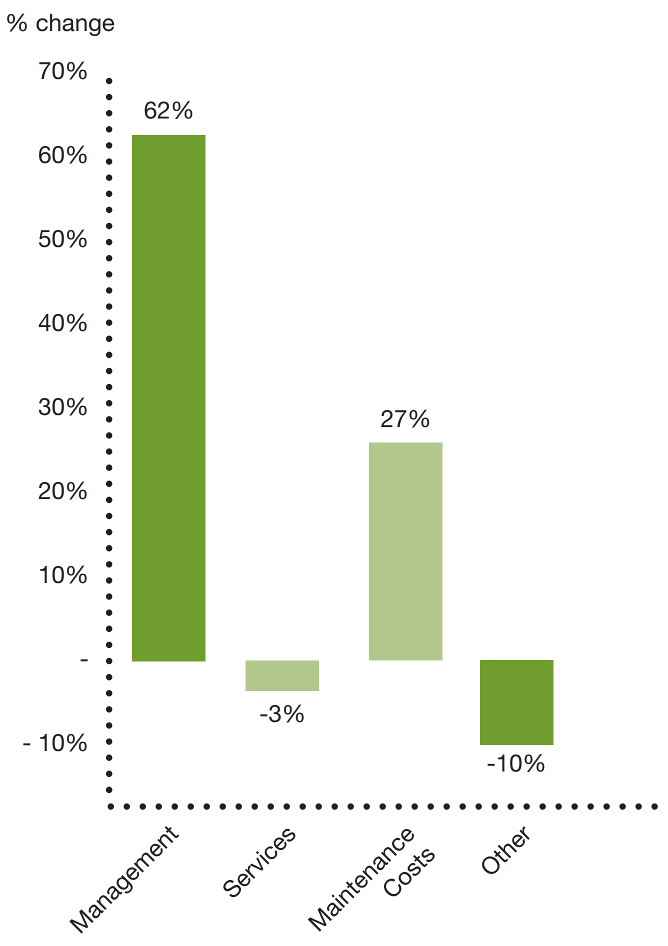
The gap between service charge income and costs which had contributed to a £10m shortfall in 2008 decreased to just £3m in 2009. A gap will always exist as it is not always possible to directly match certain categories of housing income to the related service charge costs.

Bad debts and void charges on social housing lettings rose by £2.5m to £8.9m, primarily due to substantial increase (£2.2m) in void charges in the LSVT sector. However, as a proportion of letting income, bad debts and voids rose marginally to 2.7% from the 2008 figure of 2.6%. For LSVT associations, bad debts and voids were 3.4% (2008 – 4.9%) as a proportion of letting income and therefore higher than the traditional sector at 2.5% (2008 – 2.3%).

Income from student accommodation and other letting activities increased by £1m from £18m to £19m. The net return from this type of income decreased marginally from £2m in 2008 to £1m in 2009.

It appears therefore that in 2009 good recovery of service costs and careful monitoring of care and support costs has helped to improve the lettings operating profit margin from 17.2% in 2008 to 20.8%.

Figure 7: Percentage Change in Operating Costs



Homes in Management

Figure 8: All Associations

	2009	2008	Increase in unit numbers	% increase
General needs properties	102,943	85,044	17,899	21.0%
Supported housing bedspaces	6,679	5,877	802	13.6%
Student accommodation	3,612	2,464	1,148	46.6%
Other	9,607	4,825	4,782	99.1%
	122,841	98,210	24,631	25.1%

Figure 9: Traditional Associations

	2009	2008	Increase in unit numbers	% increase
General needs properties	59,924	58,520	1,404	2.4%
Supported housing bedspaces	4,489	4,227	262	6.2%
Student accommodation	3,612	2,464	1,148	46.6%
Other	4,831	4,178	653	15.6%
	72,856	69,389	3,467	5.0%

Figure 10: LSVTs

	2009	2008	Increase in unit numbers
General needs properties	43,019	26,524	16,495
Supported housing bedspaces	2,190	1,650	540
Other	4,776	647	4,129
	49,985	28,821	21,164

The figures show the impact of three LSVTs entering the sector during 2009. The stock of homes owned by housing associations rose by 25.1% in total, with the largest rise being in general needs properties.

Traditional associations' total number of homes rose by 5.0% (2008 - 1.6% i.e. 1,075 homes) with the largest rise being in general needs properties.

LSVT homes, 40.7% of the total social housing stock in 2009 compared to 29.3% in 2008, rose from 28,821 to 49,985 homes. In terms of general needs stock ownership, LSVTs now account for 41.8% of the general needs homes compared to 31.20% in 2008.

Figure 11: Ownership of Social Housing Stock 2009

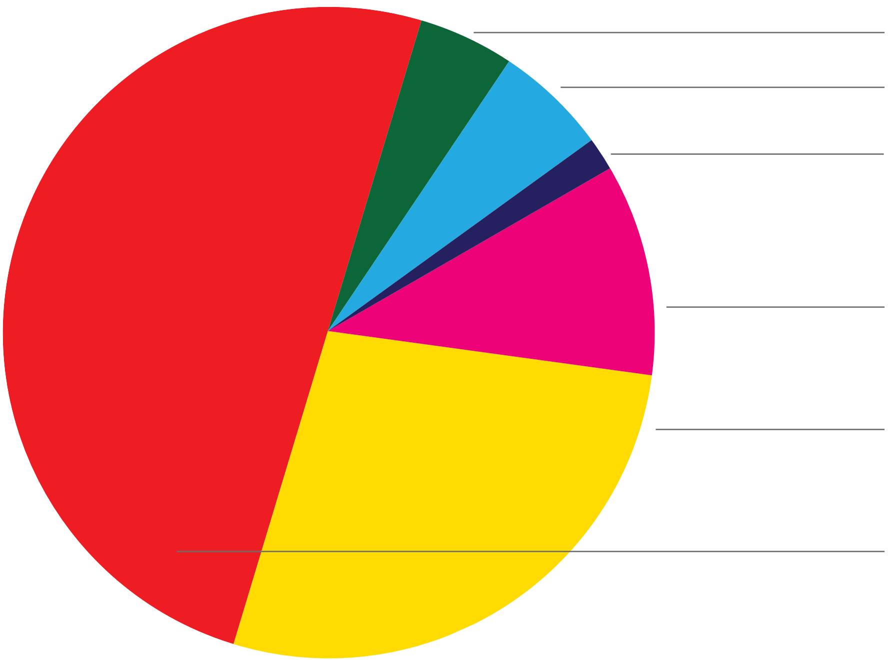
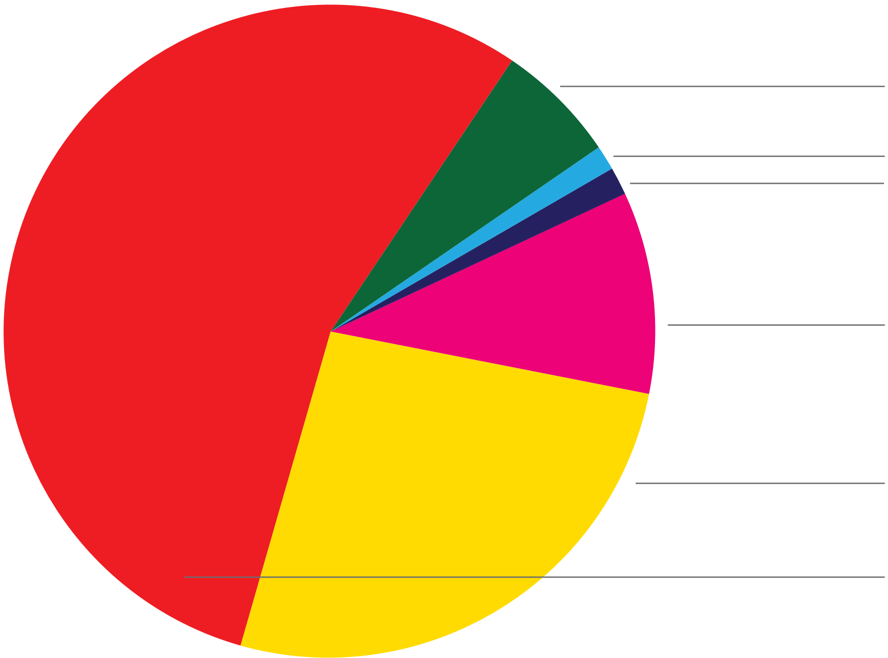


Figure 12: Ownership of Social Housing Stock 2008



This photo was taken at the intergenerational event set up between RCT Homes' sheltered housing tenants and local school children in Maerdy to encourage generations in the same village to share skills and knowledge. In this instance the sheltered tenants showed the children how to make welsh cakes and taught them about the food they used to eat and cook.

A1
Summary Information from 2009 Private Finance Return

Name of Lender	Amount of Loan Facility £m	Loan Drawn Down £m	2009 Undrawn facility £m	2008 Undrawn facility £m
Bank of Ireland	6.5	5.9	0.6	0.6
Bank of Scotland	41.5	31.3	10.2	76.6
Barclays Bank Plc	324.4	163.9	160.5	63.2
Britannia BS	18.0	18.0	-	1.5
Cheshire BS	12.8	10.9	1.9	-
Dexia Public Finance Bank	99.7	91.1	8.6	19.2
European Investment Bank	55.0	-	55.0	55.0
Fresh Plc	2.7	2.7	-	-
Handelsbanken	11.8	10.0	1.8	6.1
HBOS (Halifax) Plc	68.6	60.5	8.1	9.11
Housing Securities	28.8	28.8	-	-
Lloyds TSB	253.0	96.5	156.5	139.5
Nationwide BS	363.5	268.2	95.3	54.3
Orchardbrook	25.2	25.0	0.2	-
Principality BS	171.0	113.9	57.1	56.8
RBS Group inc Nat West	333.4	186.7	146.7	49.9
Santander	84.9	60.2	24.7	22.0
The Housing Finance Corporation Ltd	33.5	33.3	0.2	0.3
Other lenders (facility below £0.6m)	0.6	0.6	-	-
Totals	1,934.9	1,207.5	727.4	554.1

The above table has been compiled from the private finance returns as at 31 March 2009 submitted by housing associations (including groups) to the Welsh Assembly Government.

A2
Global Accounts Ratios

	LSVT 2009	Traditional 2009	All Assoc 2009	All Assoc 2008	All Assoc 2007
Growth					
Growth in turnover	194.7%	9.9%	30.8%	13.3%	8.7%
Growth in SBIT	1450.5%	4.4%	38.8%	-1.6%	12.6%
Growth in interest paid	67.1%	5.5%	8.9%	15.6%	8.6%
Growth in total assets	47.3%	9.2%	10.3%	8.4%	5.9%
Growth in total debt	54.0%	16.9%	18.4%	16.5%	6.5%
Growth in capital and reserves	26.8%	5.5%	5.8%	5.4%	4.9%
Profitability					
Turnover per employee (£000s)	75	80	79	73	72
Operating margin	22.0%	18.4%	19.3%	15.6%	16.7%
Turnover/total operating assets	80.3%	8.8%	11.3%	9.5%	8.9%
SBIT/total assets	13.3%	1.8%	2.3%	1.8%	1.8%
Effective interest rate	15.8%	5.5%	5.8%	6.4%	6.1%
Cash cost of capital	3.4%	1.5%	1.5%	1.6%	1.5%
Margin over cash cost of capital % (SBIT/total assets – cash cost of capital)	9.9%	0.3%	0.8%	0.2%	0.3%
Surplus for year/ total capital and reserves	26.1%	0.5%	1.0%	0.3%	0.7%
Cash flow and borrowing capacity					
Cash flow before funding/total assets	-11.5%	-3.6%	-3.9%	-3.3%	-1.5%
Gross interest cover (SBIT/gross interest paid)	384.0%	121.7%	150.8%	110.7%	131.5%
Total debt/surplus for year	(3)	88	41	126	53
EBITDA/debt %	55.5%	6.9%	9%	6.9%	7.5%
Net leverage %	93.5%	70.4%	71.0%	68.8%	67.7%
Adjusted net leverage % (Net debt/total assets + grants received)	39.4%	27.2%	27.5%	25.3%	23.5%
Bad debts & voids/ gross rent receivable	3.4%	2.47%	2.7%	2.57%	2.35%
Gearing reserves	80.8%	44.4%	45.4%	40.7%	36.5%

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