

Grŵp  
Cartrefi  
Cymunedol  
Cymru



Community  
Housing  
Cymru  
Group



Noddir gan  
**Lywodraeth Cymru**  
Sponsored by  
**Welsh Government**






# The 2013 Financial Statements of Welsh Housing Associations

Datganiadau Ariannol 2013  
Cymdeithasau Tai Cymru





# Contents

	Foreword	3
	Executive Summary	6
	Operating and Financial Review	9
	2013 Housing Association Accounts	13
	Appendix 1	20
	Appendix 2	24
	Acknowledgements	26



# 01 Foreword





# Foreword

**The objective of this report is to portray the financial position of the Welsh social housing sector during 2013 and to provide commentary on changes and developments that have impacted the sector.**

This suite of Welsh housing association financial statements, the 'Global Accounts', demonstrates the robustness of the sector and exhibits a trend of continued strength and growth that remains essential given the acute need for new affordable housing alongside the ongoing agenda to improving existing homes. The Welsh Government's priorities seek to meet these requirements - more homes and more choice, better quality homes and better housing-related services. Social housing providers are rising to these challenges and making a positive impact on individuals and the economy in Wales.

## **Social housing sector aims:**

- To increase supply of homes. A target of 7,500 new affordable homes alongside bringing 5,000 empty properties back into use by 2015.
- To improve the quality of existing homes, including their energy efficiency through the Welsh Housing Quality Standard and other mechanisms.
- To work with partners to help tackle homelessness.
- To help improve housing services for vulnerable people so that they can lead healthy and independent lives.
- To help to regenerate the areas in which we work.
- To engage with other areas of social policy; social care, health, financial inclusion, education and employability.
- To help stimulate the Welsh economy and help tackle poverty whilst contributing to the fiscal landscape across Wales.

The Welsh Government's target of 7,500 new affordable homes is nearly two thirds complete. The challenge to the sector is to meet, and exceed, this target during a period of financial difficulty, amid new UK-wide welfare reform policies that will challenge housing associations' financial models. With pressures on Welsh Government budgets, the necessity to achieve 'more-for-less' has never been so relevant.



*“Social housing providers are rising to these challenges and making a positive impact on individuals and the economy in Wales.”*

2013 saw a greater emphasis on embracing innovation and seeking to attract new resources into the sector to address the supply challenge. A Welsh Government project, to be delivered by the sector, will see several housing associations exploit capital market finance for the first time. Welsh Government's 30 year, £4m per annum revenue subsidy will lever in over £130m of capital funding that will finance the development of 1,100 new units over the next two years.

Inevitably innovation needs to be considered alongside risk management. The need to utilise assets effectively and efficiently without compromising their financial viability is a key consideration for housing providers and their boards.

The economic impact of housing associations cannot be underestimated. The Welsh Economic Research Unit study, commissioned by Community Housing Cymru, shows that during 2013 housing associations supported an estimated total output of £1.97bn, gross value added of around £649m, and an estimated 21,360 full time equivalent jobs in Wales.

Housing can continue to provide a catalyst for the Welsh economy. Despite austerity and welfare reform, we remain committed to the belief that everyone in Wales deserves a good quality, affordable and safe place to live. The housing association sector is fundamental to achieving this vision for Wales.

**Carl Sargeant AM,**  
**Minister for Housing and Regeneration**

**Tim Blanch,**  
**Chair of the Community Housing Cymru Group**



# Rhagair

**Amcan yr adroddiad yma yw dangos sefyllfa ariannol y sector tai cymdeithasol yn ystod 2013 a rhoi sylwebaeth ar newidiadau a datblygiadau a effeithiodd ar y sector.**

**M**ae'r 'Cyfrifon Cynhwysfawr', y gyfres yma o ddatganiadau ariannol cymdeithasau tai Cymru, yn dangos cadernid y sector a nerth a thwf parhaus sy'n parhau'n hanfodol o gofio am yr angen dybryd am dai fforddiadwy newydd wrth ochr yr agenda parhaus i wella cartrefi presennol. Mae blaenoriaethau Llywodraeth Cymru'n gweithio i gyflawni'r gofynion hyn; mwy o gartrefi a mwy o ddewis, cartrefi o ansawdd gwell a gwell gwasanaethau cysylltiedig â thai. Mae darparwyr tai cymdeithasol yn ymateb i'r heriau hyn ac yn cael effaith gadarnhaol ar unigolion ac economi Cymru.

## **Mae'r sector tai cymdeithasol yn anelu i:**

- Cynyddu'r cyflenwad o gartrefi. Targed o 7,500 o gartrefi fforddiadwy newydd yn ogystal â dod â 5,000 o dai gwag yn ôl i ddefnydd erbyn 2015
- Gwella ansawdd cartrefi presennol, yn cynnwys eu heffeithiolrwydd ynni drwy Safon Ansawdd Tai Cymru a dulliau eraill
- Gweithio gyda phartneriaid i helpu i fynd i'r afael â digartrefedd
- Helpu i wella gwasanaethau tai ar gyfer pobl agored i niwed fel y gallant arwain bywydau iach ac annibynnol
- Helpu i adfywio'r ardaloedd y gweithiwn ynddynt
- Ymgysylltu gyda meysydd eraill o bolisi cymdeithasol; gofal cymdeithasol, iechyd, cynhwysiant ariannol, addysg a chyflogadwyedd
- Helpu i ysgogi economi Cymru a helpu mynd i'r afael â thlodi tra'n cyfrannu at y tirlun ariannol ledled Cymru

Mae bron ddau draean targed Llywodraeth Cymru o 7,500 o gartrefi newydd fforddiadwy wedi ei gwblhau. Yr her i'r sector yw cyrraedd, a rhagori ar, y targed hwn mewn cyfnod o anhawster ariannol, ymysg polisïau diwygio lles newydd ar draws y Deyrnas Unedig fydd yn herio model ariannol cymdeithasau tai. Gyda phwysau ar gyllideb Llywodraeth Cymru, ni fu'r rheidrwydd i gyflawni 'mwy am lai' erioed mor berthnasol.



*“Mae darparwyr tai cymdeithasol yn ymateb i'r heriau hyn ac yn cael effaith gadarnhaol ar unigolion ac economi Cymru.”*

Yn 2013 gwelwyd mwy o bwyslais ar groesawu arloesedd, gan geisio denu adnoddau newydd i'r sector i fynd i'r afael â her cyflenwi. Bydd prosiect gan Lywodraeth Cymru, a gyflwynir gan y sector, yn gweld nifer o gymdeithasau tai yn ymelwa ar gyllid marchnad cyfalaf am y tro cyntaf. Bydd cynllun refeniw 30 mlynedd £4m y flwyddyn yn ysgogi dros £130m o gyllid cyfalaf fydd yn ariannu datblygu 1,100 o unedau newydd dros y ddwy flynedd nesaf.

Mae'n anochel fod angen ystyried arloesedd wrth ochr rheolaeth risg. Mae'r angen i ddefnyddio asedau'n effeithlon ac effeithiol heb leihau eu hyfywedd ariannol yn ystyriaeth allweddol i ddarparwyr tai a'u Byrddau.

Mae gan gymdeithasau tai effaith economaidd sylweddol iawn. Amcangyfrifodd yr astudiaeth Ymchwil i Economi Cymru, a gomisiynwyd gan Gartrefi Cymunedol Cymru, i gymdeithasau tai gefnogi amcangyfrif o gyfanswm allbwn o £1.97bn, gwerth ychwanegol crynswth o tua £64.9m, ac amcangyfrif o 21,360 o swyddi cyfwerth â llawn-amser yng Nghymru.

Gall tai barhau i fod yn gatalydd i economi Cymru. Er gwaethaf llymder economaidd a diwygio lles, mae ein hymrwymiad yn parhau i'r gred fod pawb yng Nghymru yn haeddu cartref ansawdd da, fforddiadwy a diogel - mae'r sector cymdeithasau tai yn sylfaenol i gyflawni'r weledigaeth hon ar gyfer Cymru.

**Carl Sargeant AC,  
Gweinidog Tai ac Adfywio**

**Tim Blanch,  
Cadeirydd Grŵp Cartrefi Cymunedol Cymru**



# 02 Executive Summary



# Executive Summary

**This report on the social housing sector in Wales is co-produced by the Community Housing Cymru Group (CHC) and the Welsh Government. CHC is the representative body for over 70 not-for-profit housing associations and community mutuals in Wales with members providing homes and housing services throughout Wales. This report is derived from the audited financial statements of 37 housing associations and provides information and commentary on the financial health of the sector. The report underlines the continued positive response from housing associations to address the housing supply challenges in Wales during difficult financial circumstances whilst acting as a catalyst for the construction industry and a boost for the wider Welsh economy.**

## **Key messages for 2013**

- The sector now owns and manages 158,259 units with general needs properties accounting for 83% of this figure (130,638 units)
- £2.4bn is the total expenditure on housing properties during the last 7 years with nearly 60% of expenditure within the last 3 years
- Total debt has increased by 15% to £1,942m
- Gearing overall is now at 58%, representing a 4% increase on 2012
- Turnover for the period was £736m, an increase of £61m on 2012
- Operating margin for all associations is now at 20.9% (21.4% in 2012)
- Operating surplus has increased by £7m to £154m, with a net surplus figure for the year of £85m

The number of units within the sector has increased during 2013 underpinned by increased borrowing. Whilst the sector has seen an increase in turnover, the net surplus of £85m represents a reduction on the 2012 figure (net surplus of £88m).

The results are positive with housing associations consistently seeking to deliver enhanced tenant services and meet the housing targets without employing unnecessary high-risk financial strategies. The ability to take on debt, increase gearing and effectively utilise the assets held is essential to progressing maintenance and development programmes in conjunction with support via Welsh Government Social Housing Grant. Each housing association has differing levels of affordable capacity so the challenge to boards and executive teams is to maximise delivery and maintain financial stability.

The challenge to fund the supply, in light of rising demand, and continued improvement of properties has been ever-present for some years. We have seen a slight upturn in the availability of affordable long term finance from the traditional lending sector, yet availability is still some way below the 2007 level. This has meant a step change for many associations in their approach to securing such finance. Innovative solutions have been tested and established within the sector and there is a growing perception that increased use of Capital Markets may provide a solution in the near term. Bond finance is proving more prevalent and innovative deals with institutional investors are on the increase.

The ability of the sector to generate surpluses and build reserves is absolutely crucial in attracting favourable lending conditions and maintaining current covenants that exist. A positive and healthy financial position ultimately allows for more investment into developing and managing more homes and allows more investment in care and regeneration activities for the benefit of tenants and communities. Housing associations are seeking to combine a commercial mindset against the social objectives they are established to deliver – continued financial strength underpins this culture.

As the welfare reforms begin to bite, the potential for increased difficulty for tenants to meet rental commitments alongside a backdrop of high unemployment and rising costs of living means constant appraisal of housing association assumptions and long term plans. The introduction of Universal Credit is very much on the sector's radar and preparation is underway to mitigate any negative impact the roll-out could potentially have on business plans.

The sector does remain resilient and has the ability to progress through this period of change and austerity, albeit with a degree of adjustment. Establishing a robust and sound financial model that allows the sector to meet unprecedented challenges will directly benefit those people in Wales with greatest housing need now and in future years.



# Crynodeb Gweithredol

**Paratowyd yr adroddiad hwn ar y sector tai cymdeithasol yng Nghymru gan Grŵp Cartrefi Cymunedol Cymru (CHC) a Llywodraeth Cymru ar y cyd. Mae CHC yn gorff sy'n cynrychioli dros 70 o gymdeithasau tai dielw a chwmnïau tai cymunedol cydfuddiannol yng Nghymru gydag aelodau'n darparu cartrefi a gwasanaethau tai ledled Cymru. Mae'r adroddiad yn deillio o ddatganiadau ariannol archwiliedig 37 cymdeithas tai ac yn rhoi gwybodaeth a sylwebaeth ar iechyd ariannol y sector. Mae'r adroddiad yn tanlinellu ymateb cadarnhaol parhaus cymdeithasau tai i fynd i'r afael â heriau cyflenwad tai yng Nghymru yn ystod amgylchiadau ariannol anodd tra'n gweithredu fel catalydd ar gyfer y diwydiant adeiladu a hwb i'r economi ehangach yng Nghymru.**

## **Negeseuon Allweddol 2013**

- Mae'r sector yn awr yn berchen ac yn rheoli 158,259 uned gydag anheddau anghenion cyffredinol yn 83% o'r ffigur hwn, 130,638 uned
- £2.4bn yw cyfanswm gwariant ar anheddau yn ystod y 7 mlynedd ddiwethaf gyda bron 60% o'r gwariant o fewn y 3 blynedd ddiwethaf
- Cynyddodd cyfanswm dyled gan 15% i £1,942m
- Mae'r gerio cyffredinol yn awr yn 58%, sy'n gynnydd o 4% ar 2012
- Roedd y trosiant am y cyfnod yn £736m, cynnydd o £61m ar 2012
- Mae'r ymyl gweithredu ar gyfer pob cymdeithas yn awr yn 20.9% (21.4% yn 2012)
- Cynyddodd y gwarged gweithredu gan £7m i £154m, gyda ffigur gwarged net am y flwyddyn o £85m

Cynyddodd nifer yr unedau o fewn y sector yn ystod 2013 yn seiliedig ar fenthycia uwch, ac er y gwelodd y sector gynnydd mewn trosiant, mae'r gwarged net o £85m yn ostyngiad ar ffigur 2012 (gwarged net o £88m).

Mae'r canlyniadau'n gadarnhaol gyda chymdeithasau tai'n ceisio'n gyson i gyflwyno gwell gwasanaethau i denantiaid a chyrraedd y targedau tai heb ddefnyddio strategaethau ariannol risg-uchel diangen. Mae'r gallu i gymryd dyled, cynyddu gerio a defnyddio asedau'n effeithlon yn hanfodol i ddatblygu rhaglenni cynnal a chadw a datblygu ar y cyd â chefnogaeth drwy Grant Tai Cymdeithasol Llywodraeth Cymru. Mae gan bob cymdeithas tai wahanol lefelau o allu fforddiadwy felly'r her i fyrddau a thimau gweithredol yw cynyddu cyflenwad a chadw sefydlogrwydd ariannol.

Bu'r her i ariannu'r cyflenwad, yng ngoleuni cynnydd mewn gwella, a gwella parhaus ar anheddau'n bresennol ers rhai blynyddoedd. Gwelsom gynnydd bychan yn y cyllid hirdymor fforddiadwy sydd ar gael o'r sector benthycia traddodiadol eto mae'n dal gryn dipyn yn is na lefel 2007. Mae hyn wedi golygu y bu'n rhaid i lawer o gymdeithasau newid eu dulliau o sicrhau cyllid o'r fath. Cafodd datrysiadau blaengar eu profi a'u sefydlu o fewn y sector ac mae canfyddiad cynyddol y gall defnydd cynyddol o farchnadoedd cyfalaf roi datrysiad yn y dyfodol agos. Mae cyllid bond yn profi'n fwy cyffredin a gwelir cynnydd mewn deliau blaengar gyda buddsoddwyr sefydliadol.

Mae gallu'r sector i sicrhau gwargedion ac adeiladu cronfeydd wrth gefn yn hollol hanfodol wrth ddenu amodau benthycia ffafriol a chynnal y cyfamodau cyffredol sy'n bodoli. Mae sefyllfa ariannol gadarnhaol ac iach yn y pen draw'n galluogi mwy o fuddsoddiad i ddatblygu a rheoli cartrefi newydd ac yn caniatáu mwy o fuddsoddiad mewn gweithgareddau gofal ac adfywio er budd tenantiaid a chymunedau. Mae cymdeithasau tai'n ceisio cyfuno ffordd fasnachol o feddwl gyda'r amcanion cymdeithasol y cawsant eu sefydlu i'w cyflawni - mae nerth ariannol parhaus yn sylfaenol i'r diwylliant yma.

Wrth i ddiwygiadau lles dechrau brathu, mae'r potensial ar gyfer anhawster cynyddol tenantiaid i dalu ymrwymadau rent mewn sefyllfa o ddiweithdra uchel a chostau byw cynyddol yn golygu gwerthusiad cyson ar dybiaethau a chynlluniau hirdymor cymdeithasau tai. Mae cyflwyno Credyd Cynhwysol yn bendant iawn ar radar y sector ac mae'r paratodau'n mynd rhagddynt i liniaru unrhyw effaith negyddol y gallai'r ymestyn y Credyd Cynhwysol ei gael ar gynlluniau busnes.

Mae'r sector yn parhau'n gydnerth ac mae ganddo'r gallu i symud ymlaen drwy'r cyfnod hwn o newid a llymder, er gyda rhywfaint o addasu. Bydd sefydlu model ariannol cadarn sy'n galluogi'r sector i ateb heriau na welwyd eu tebyg o fudd uniongyrchol i'r bobl yng Nghymru sydd â'r angen mwyaf am gartrefi yn awr ac yn y dyfodol.





# 03 Operating & Financial Review



# Operating & Financial Review

## Overview of the sector

This report contains analysis based on the statutory financial statements of 37 of the largest Welsh housing associations who own most of the homes in the sector and carry out development activity. Only developing housing associations and LSVTs (Large Scale Voluntary Transfers) have been included in this report. These housing associations, of which twelve are LSVTs, now own and manage over 158,000 homes. Approximately 83% comprise general needs accommodation - supported housing, student accommodation and other accommodation make up the balance. Housing associations are involved in a wide range of activities, including (but not limited to) regeneration activities, working with health and social services and other statutory bodies, and community-based projects.

## Income and expenditure

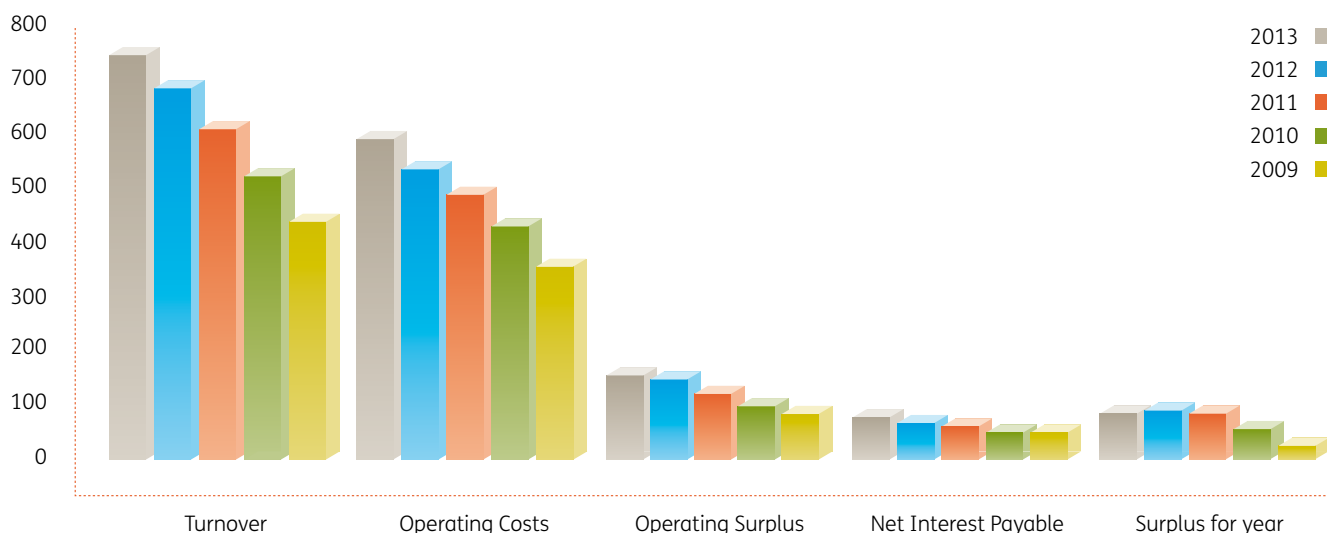
Turnover has increased again for Welsh housing associations; however, this was less than the rise last year due to no new LSVTs. The majority of the increase came from the traditional sector, both from rent rises and growth in units. Other activities are also exhibiting growth. Increases in income translated into a growth in operating surplus of 5%, with operating costs increasing by 10%. The majority of the cost increase in LSVTs was from expenditure on planned maintenance and major repairs, and across the whole sector was due to higher costs of depreciation of housing properties post the implementation of component accounting.

The investment in homes is highlighted by the increase in interest payable as shown by the growth in gearing; most of the growth in this year is from LSVTs drawing on funding. This is for the low cost private finance that the sector has successfully attracted, currently giving an effective interest rate of 4.5%.

Interestingly, the bad debt and void figure is 2.5% which has changed little from the previous year (2.4%); however, this may change markedly in future years.

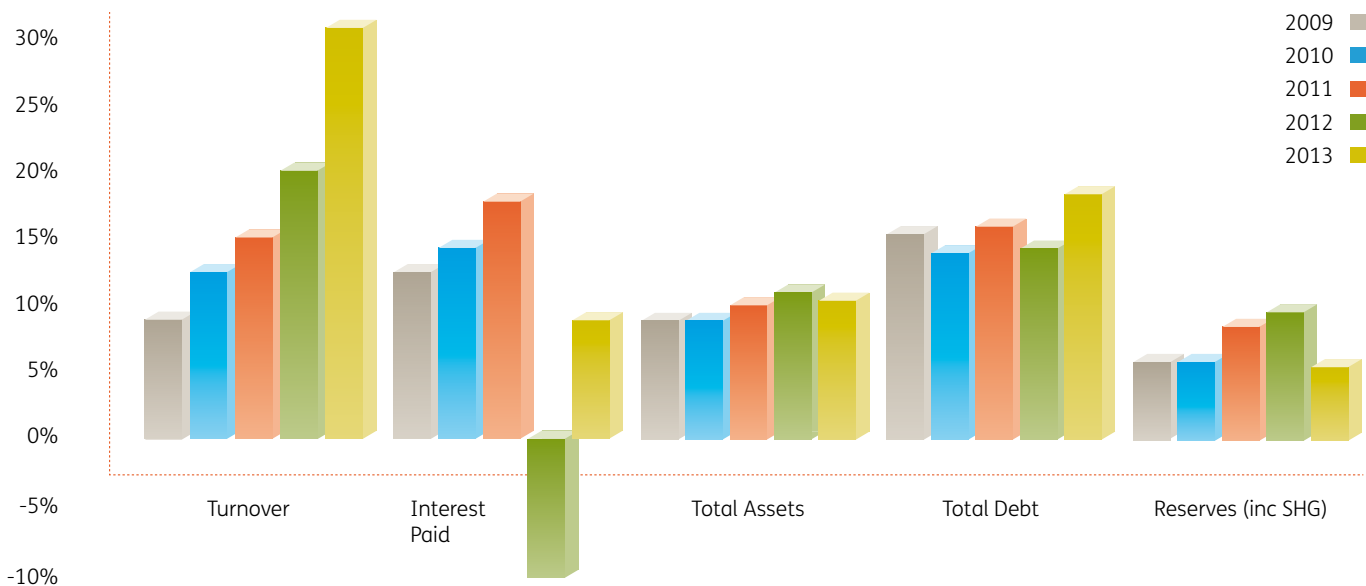
The graph in Figure 1 shows the trends for income and expenditure and displays a consistent picture of increasing income being matched with increasing costs. This, added to smaller rises in interest, has contributed to an actual fall in the net surplus relative to 2012 of £3m, giving a **net surplus** figure for 2013 of £85m.

Figure 1: Financial Performance





**Figure 2: Growth of Welsh Housing Associations**



**Balance Sheet and Sector Growth**

Despite the reduction in net surplus compared to 2012, the total capital and reserves of Welsh housing associations have continued to rise by 6% and comprise reserves of £690m. The sector also benefited from a further £128m in Social Housing Grant during 2013. The reserves do not represent cash available but the value of the sector, and can only be realised by sale of the properties on which our businesses are built.

Drawings on further loans have contributed to a 15% growth in total debt and the resultant gearing (debt to equity ratio) within the sector is now 58%, representing a 4% rise on last year.

**Cash Flow**

The cash flow replicates the general trend highlighted above. There is a positive cash inflow from operating activities; free cash flow of £385,764 for 2013. This net inflow, along with additional loans and grant, is paying for continued investment in housing properties. Cash flow analysis and Treasury management remain prominent in housing associations’ business planning and assumptions that underpin on-going activities.

**Diversity and Innovation – Risks, Consequences and Rewards**

**Balancing Innovation and Risk**

Last year saw a continuing emphasis on innovation in affordable housing alongside a consultation exercise by the Housing Regulator on a new risk-based approach to regulation that focuses on finance, governance and landlord services. The year brought two issues into sharp relief – how do we continue to innovate and take on new opportunities, whilst ensuring that the sector does not overstretch itself? How much risk can the sector take on and what will the future look like in an increasingly challenging environment?

**Housing Supply**

Lack of housing supply is driving the need for innovation. There are over 90,000 people with housing need in Wales but there is a shortage of new sites under development, with private developers pulling out of large areas of Wales where they consider the sales margins to be too low. Conversely land prices remain stubbornly high, and first-time buyers cannot get on the housing ladder. In response to this need there is a commitment from the Housing Minister to provide 12,500 additional homes, of which 7,500 will be new builds.



## Constraints and Solutions

Cuts in the social housing grant budget, lack of long term affordable bank finance, increasing levels of gearing, interest cover covenants, and falling levels of unencumbered security are now becoming part of the landscape in which the sector operates. The sector received more grant than was initially expected during the year and there has been some return of traditional lenders to the market, but we are nowhere near the pre-2008 financial crash levels.

Innovative solutions are being found. Examples include the Bellerephon model which requires land as equity and therefore works best for the stock transfer model; the Welsh Housing Partnership, which operates best in a group structure as it requires high levels of initial investment from the participating associations as well as 20% grant; and the Ely Mill project, where ownership will remain with the investment company but management services are likely to be procured from a housing association. These are some solutions that are gaining traction within Wales.

The Welsh Government's Housing Finance Grant initiative also contributed to the sector's list of successful innovation. Getting the product to work was the result of new ways of working between Welsh Government and the sector's Finance Directors and demonstrated the benefits of getting the right people in the room together at an early stage to produce a workable scheme. Using the sector's borrowing capacity, this initiative will produce 1,100 new homes by September 2015 for social and intermediate rent, many of which are 1 and 2 bed properties that will meet local authority priorities. The innovation at work here is that the 30 year, £4m revenue grant per annum levers in over £130m of capital expenditure now. This initiative has also attracted a new investment fund manager to Wales, namely M & G Investments, to lend £98m to the sector. Their product offers relative certainty on pricing with a high level of balance sheet efficiency.

## Sector Risks

The sector can support a number of innovative products, but risk arising from such diversification is compounded quite quickly by scale. The sector's borrowing capacity and access to unencumbered security is not inexhaustible. With the sector meeting and exceeding Welsh Government's delivery expectations since the financial crash, the sector now

has gearing of 58% (54% traditional, 89% LSVTs), up 14% from March 2009, when it was on average 45% (44% traditional, 81% LSVTs). The sector is also looking increasingly to the capital markets as a source of finance. It must be recognised that a number of these products include indexation. Such indexed products will be linked to RPI; the fundamental risk here is of differential inflationary assumptions as there is a growing trend for the sector's income streams to be linked to CPI that tracks at a lower rate.

New financial reporting standards will impact how the sector produces its financial accounts and will affect the treatment of pensions, derivatives and leases which may negatively impact covenant compliance.

## The Way Forward

Innovation clearly has a place and the sector has responded to need and delivered in Wales. However, constraints still remain and to overcome these the sector is likely to place more emphasis on the importance of free cash and unencumbered security, the release of land from the public sector at an affordable price, more 'commercial' asset management strategies, development for sale including take up of the Welsh Help to Buy scheme, joint ventures, selling services, and pursuit of higher operating margins and further economies of scale.

However, at the same time, organisations will need to move towards more of a social business model. The sector and our tenants are being hit by the impact of welfare reform which reduces sector income streams whilst increasing the operating costs. This creates a challenge for associations aspiring to innovate more whilst also wanting to set aside resources to further support tenants so that they can withstand the changes in welfare policy.

It is in this environment that CHC recognises the continuing importance of working with Welsh Government and stakeholders alike so that the sector can respond to policy ambitions whilst not over-stretching capacity and weakening the covenant of the sector as a whole. CHC welcomes the fact that Welsh Government has worked hard to maintain a Social Housing Grant programme alongside its other initiatives, and continues to work with its members to ensure that they have new housing schemes in the pipeline so that grant is spent promptly and maximises benefit to tenants and the wider community.





# 04 2013 Housing Association Accounts

**Figure 3: Consolidated Balance Sheet**

	Trad 2013 £m	LSVT 2013 £m	All Assoc. 2013 £m	All Assoc. 2012 £m	All Assoc. 2011 £m	All Assoc. 2010 £m
<b>FIXED ASSETS</b>						
Housing properties at cost	4,534	731	5,266	4,825	4,326	3,851
Revaluation surplus	163	-	163	163	139	130
	4,698	731	5,429	4,988	4,465	3,981
Capital grants	(2,593)	(174)	(2,768)	(2,640)	(2,540)	(2,372)
Depreciation	(246)	(55)	(301)	(252)	(141)	(75)
Net book value of housing properties	1,859	502	2,360	2,096	1,784	1,534
Fixed asset investments	99	2	101	97	90	95
Less SHG	(82)	(2)	(84)	(81)	(72)	(64)
Other fixed assets	105	33	137	114	95	71
<b>Total fixed assets</b>	<b>1,981</b>	<b>535</b>	<b>2,515</b>	<b>2,226</b>	<b>1,897</b>	<b>1,636</b>
<b>CURRENT ASSETS</b>						
	280	72	351	301	302	298
<b>CURRENT LIABILITIES</b>						
Short term loans	(34)	(26)	(60)	(43)	(47)	(35)
Bank overdrafts	(2)	(0)	(3)	(9)	(2)	(1)
Other current liabilities	(120)	(69)	(188)	(164)	(167)	(167)
<b>Total current liabilities</b>	<b>(156)</b>	<b>(95)</b>	<b>(251)</b>	<b>(216)</b>	<b>(216)</b>	<b>(203)</b>
<b>Net current assets</b>	<b>124</b>	<b>(23)</b>	<b>101</b>	<b>85</b>	<b>86</b>	<b>95</b>
<b>Total assets less current liabilities</b>	<b>2,104</b>	<b>511</b>	<b>2,616</b>	<b>2,311</b>	<b>1,983</b>	<b>1,731</b>
<b>LONG TERM CREDITORS AND PROVISIONS</b>						
Long term loans	(1,567)	(316)	(1,883)	(1,642)	(1,429)	(1,238)
Other long term creditors	(17)	(24)	(41)	(47)	(18)	(28)
Provisions	(1)	-	(1)	(2)	(4)	(3)
<b>Total long term creditors and provisions</b>	<b>(1,585)</b>	<b>(340)</b>	<b>(1,925)</b>	<b>(1,691)</b>	<b>(1,451)</b>	<b>(1,269)</b>
<b>NET ASSETS</b>	<b>519</b>	<b>171</b>	<b>690</b>	<b>620</b>	<b>532</b>	<b>462</b>
<b>RESERVES</b>						
Accumulated surplus	299	181	480	391	328	232
Designated reserves	68	28	96	77	48	92
Restricted reserves	5	-	5	31	31	7
Revaluation reserves	148	-	148	150	133	145
LGPS Pension reserves	(1)	(37)	(38)	(29)	(8)	(14)
<b>Total reserves</b>	<b>519</b>	<b>171</b>	<b>690</b>	<b>620</b>	<b>532</b>	<b>462</b>



## Fixed Assets

The sector's continued commitment to development and capital improvements in its housing stock resulted in a 9% rise in the overall gross value of properties of £441m (2012: £523m, 11.7%). A combination of grants, private funding and internally generated funds has enabled these works to take place. LSVTs, who account for 49% of housing units in Wales, accounted for £199m (45% of spend) of the increase with the traditional housing associations recording an increase of £242m (55% of spend). The sector continues to strengthen year on year with net assets increasing by £70m to £690m. Over the past 7 years, in excess of £2.4bn has been spent on housing properties, 58% of which was spent in the last 3 years (2012: £524m, 2011: £475m) reflecting the trend in the sector's continued increase in gearing.

Long term loans have increased from £1,642m to £1,883m in the year, representing an increase of £241m (2012: £213m). Of this increase, £104m is in respect of LSVTs, and £137m for traditional housing associations.

## Rent Arrears

Overall, rent arrears increased during the year from £303m to £330m, a change of £27m or 9%. Whilst LSVTs saw a small decrease in the year of £1.2m, arrears for traditional housing associations increased by £28.2m, primarily due to timing of receipt of housing benefit payments at the year end.

## Consolidated Income & Expenditure Account

### Turnover

Turnover in total has increased by £61m, or 9.1% (2012: £75m, 12.5%) to £736m. The increase in the year is largely attributable to rent increases and new units in management. With no new LSVTs introduced during the period, no additional turnover was recorded as in previous years. As anticipated, rent remains the largest income stream for the sector, representing 85% of turnover (2012: 85%). Turnover for the LSVTs represents 39.8% of the total, at £293m. This increased by £17m, (6.2%) on the previous year (2012: £276m). Traditional housing associations had a turnover of £443m which has increased in the year by £44m (11%). Over half of this increase is a result of new units coming into management and growth in additional activities.

The operating surplus for the sector has increased by £7m to £154m, an increase of around 5%. Operating margins fell from 21.7% to 20.9%, principally due to increased depreciation charges and major repairs expenditure.

### Surplus on disposal of fixed assets

Although the surplus from disposal of fixed assets for 2013 fell to £6m, this is consistent with the previous 3 years, 2011 being the exception due to a one-off transaction (2012: £8m, 2011: £6m excluding one off transaction, 2010: £7m).

### Bad Debts

Bad debts as a percentage of gross rent receivable rose by 1% in 2013. Most housing associations are continuing to prepare for the full impact of welfare reform by reviewing their provisions for bad debt.

### Interest Rates

Interest payable rose by £9m to £85m, an increase of 11.8% (2012: 14.4%). Debt, including short term and bank overdrafts, increased to £1,946m from £1,694 in the year, an increase of 14.8% (2012: 14.1%). The effective interest rate at 4.5% showed a marginal increase but is still well below the 2009 level of 5.8%. At 31 March 2013, the split of fixed to variable borrowing in the sector was 68:32 respectively (2012: 66:34).



**Figure 4: Consolidated Income & Expenditure**

	Traditional 2013 £m	LSVT 2013 £m	All Assoc. 2013 £m	All Assoc. 2012 £m	All Assoc. 2011 £m	All Assoc. 2010 £m
Turnover	443	293	736	675	600	522
Operating costs	350	232	582	528	-481	424)
<b>Operating surplus</b>	93	61	154	147	119	98
Surplus on disposal of fixed assets	2	3	6	8	11	7
Exceptional items	0	1	1	0	3	0
Interest receivable and other income	6	3	9	9	7	6
Interest payable and similar charges	(65)	(20)	(85)	(76)	(66)	(56)
<b>Surplus for the year before tax</b>	36	49	85	88	74	55
Net transfer to reserves	8	-4	4	(21)	(10)	(8)
	44	45	89	(21)	(10)	(8)
Prior period adjustment	3	-	3	(4)	32	
Accumulated surplus brought forward	253	138	391	328	232	185
Accumulated surplus carried forward	300	183	483	391	328	232





**Figure 5: Income & Expenditure from Lettings**

	2013			2012		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
	£m	£m	£m	£m	£m	£m
<b>INCOME &amp; EXPENDITURE FROM LETTINGS</b>						
General needs housing accommodation	556	(431)	124	515	(385)	130
Supported housing accommodation	79	(75)	4	86	(77)	8
Social housing letting totals	634	(506)	128	600	(462)	138
Student accommodation	8	(3)	4	7	(4)	2
Other letting activities	31	(26)	6	34	(26)	8
Total from Lettings	673	(535)	138	641	(492)	149

**Figure 6: Operating Margins**

	Traditional	LSVT	All Assoc.	Traditional	LSVT	All Assoc.
	2013	2013	2013	2012	2012	2012
<b>OPERATING MARGINS</b>						
General needs housing accommodation	32.9%	11.0%	22.4%	31.0%	21.2%	25.3%
Supported housing accommodation	5.1%	1.0%	4.6%	4.8%	11.5%	9.5%



## Homes in Management

Overall the sector has increased its units in management from 155,152 to 158,259, representing an increase of 3,107 in the year. Nearly a third of this increase was attributed to a rise in general needs properties.

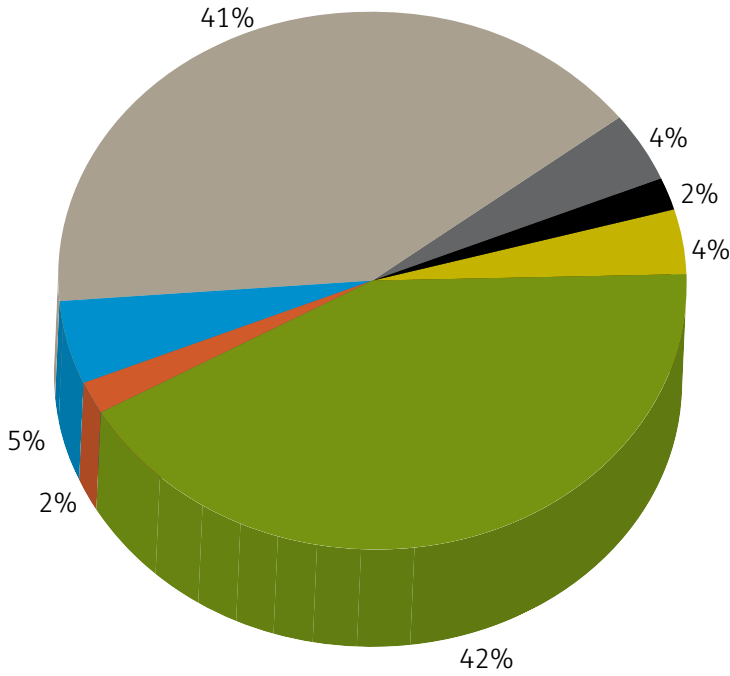
Within the traditional sector, a total of 2,290 new units were brought into management in the year, compared to 1,961 in 2012. LSVTs showed an increase in the number of units in management from 76,243 to 77,060, an increase of 817 units, with supported housing bed spaces showing a decrease of 178 units.

**Figure 7: Units in Management**

	2013	2012
<b>ALL ASSOCIATIONS</b>		
General needs properties	130,638	129,719
Supported housing bedspaces	8,893	8,743
Student accommodation	4,112	4,103
Other	14,616	12,587
	158,259	155,152
<b>TRADITIONAL</b>		
General needs properties	64,415	63,560
Supported housing bedspaces	6,135	5,807
Student accommodation	4,112	4,103
Other	6,537	5,439
	81,199	78,909
<b>LSVTs</b>		
General needs properties	66,223	66,159
Supported housing bedspaces	2,758	2,936
Other	8,079	7,148
	77,060	76,243

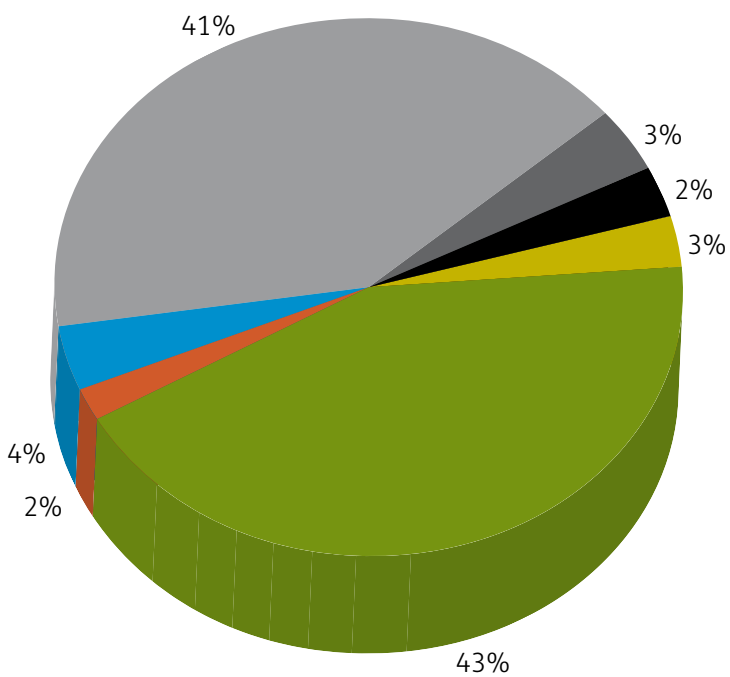


**Figure 8: Homes in Management 2013**



- Traditional General needs properties ■
- Traditional Supported housing bedspaces ■
- Traditional Student accommodation ■
- Traditional Other ■
- LSVT General needs properties ■
- LSVT Supported housing bedspaces ■
- LSVT Other ■

**Figure 9: Homes in Management 2012**



- Traditional General needs properties ■
- Traditional Supported housing bedspaces ■
- Traditional Student accommodation ■
- Traditional Other ■
- LSVT General needs properties ■
- LSVT Supported housing bedspaces ■
- LSVT Other ■



# 05 Appendix 1 Private Finance Summary

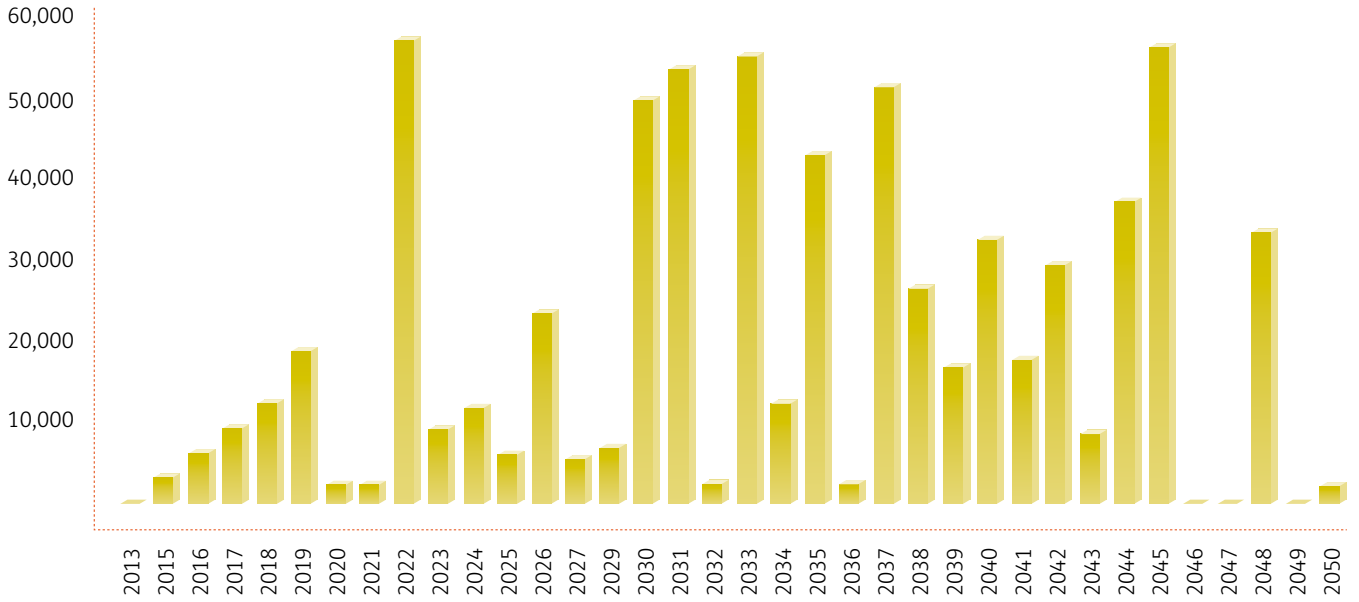




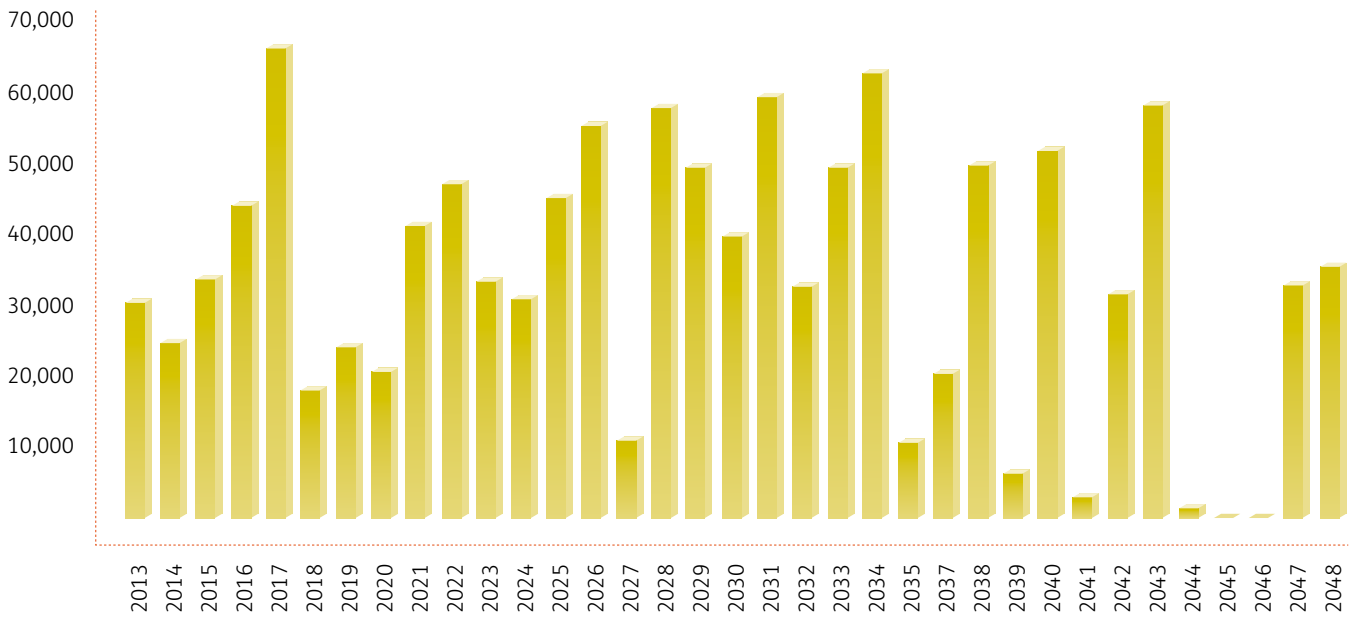
Name of Lender	2013	2013	2013	2012	2011
	Amount of Loan (£m)	Loan Drawn Down (£m)	Undrawn Facility (£m)	Undrawn Facility (£m)	Undrawn Facility (£m)
Bank of Ireland	5.1	5.1	-	-	0.2
Barclays	578.3	378.0	200.3	279.9	310.9
Cooperative	43.0	43.0	-	-	4.7
Crown Asset Management	7.4	7.4	-	-	-
Dexia	99.7	99.5	0.2	0.2	0.2
European Investment Bank	77.5	39.0	38.5	42.5	47.5
Fresh PLC	1.1	1.1	-	-	-
Handelsbanken	7.0	6.6	0.4	0.4	0.4
HBOS (Halifax) Plc	120.7	105.5	15.2	31.1	42.1
Housing Securities	28.8	28.8	-	-	-
Lloyds TSB	256.6	183.3	73.3	88.9	112.7
Nationwide	435.6	350.6	85.0	98.0	122.5
Orchardbrook	29.1	29.1	0.1	-	0.2
Principality	196.4	175.4	21.0	25.2	39.0
RBS Group (inc Nat West)	584.3	397.1	187.2	225.1	252.2
Santander	236.0	153.0	83.0	87.5	68.3
The Housing Finance Corporation	189.9	176.1	13.9	15.2	15.0
Yorkshire Building Society	14.6	14.6	-	14.0	15.0
Other	5.0	-	5.0	5.1	-
<b>Total</b>	<b>2,916.2</b>	<b>2,193.1</b>	<b>723.1</b>	<b>913.1</b>	<b>1,030.9</b>



**Figure 10: Loans on Bullet Repayment and their maturity date**



**Figure 11: Amount outstanding on Fixed Rate and end date**





**Figure 12: 2013 New debt by lender and the overall Effective Rate of Interest.**

<b>Lender</b>	<b>Amount (£)</b>
THFC	66,000,000
Nationwide	12,000,000
Principality	2,200,000
RBS	12,000,000
Lloyds TSB	11,500,000
Santander	11,500,000
Barclays	3,000,000
	18,200,000
<b>Effective Rates</b>	
Fixed	5.07%
Variable	2.39%



# 06

# Appendix 2

# 2013 Ratios



	2013			2012			2011
	Trad	LSVT	All	Trad	LSVT	All	All
<b>GROWTH</b>							
Growth in turnover	10.9%	6.1%	9.0%	6.9%	21.7%	12.5%	15.1%
Growth in operating costs	11.7%	7.6%	10.0%	3.6%	20.6%	9.9%	13.3%
Growth in Operating Surplus	8.3%	0.6%	5.1%	20.8%	25.9%	22.9%	23.2%
Growth in SBIT	5.9%	-3.7%	1.8%	8.3%	13.2%	10.3%	29.5%
Growth in interest paid	6.8%	36.2%	12.4%	11.3%	29.4%	14.4%	17.8%
Growth in total assets	6.3%	29.5%	9.0%	5.0%	54.5%	9.1%	10.1%
Growth in total debt	9.7%	52.3%	15.3%	8.4%	73.4%	14.1%	15.9%
Growth in capital and reserves	4.3%	24.9%	6.0%	3.5%	45.3%	6.0%	8.5%
<b>PERFORMANCE</b>							
Turnover per employee (£'000s)	£70	£93	£78	£72	£91	£79	£74
Operating margin	20.9%	20.9%	20.9%	21.4%	22.1%	21.7%	19.9%
Turnover/Total operating assets	9.2%	39.8%	13.2%	8.7%	48.9%	13.2%	12.8%
SBIT % Total assets	2.0%	8.5%	2.9%	2.0%	11.5%	3.1%	2.9%
Effective interest rate	4.2%	5.8%	4.5%	4.3%	6.5%	4.6%	4.6%
Cash cost of capital	1.4%	2.5%	1.5%	1.3%	2.4%	1.5%	1.4%
Margin over cash cost of capital %	0.7%	6.0%	1.4%	0.7%	9.1%	1.7%	1.6%
Surplus for year % Total capital and reserves	1.1%	13.5%	2.3%	1.1%	19.8%	2.6%	2.4%
<b>CASH FLOW AND BORROWING CAPACITY</b>							
Cash flow before funding % Total assets	-2.1%	-14.3%	-3.8%	-2.8%	-13.6%	-4.1%	-4.6%
Gross interest cover (SBIT/Gross interest paid)	146.5%	337.4%	189.6%	151.0%	478.2%	213.1%	211.0%
Total debt / Surplus for year	46.0	7.3	23.7	44.4	4.1	19.2	19.5
EBITDA/debt	7.8	25.2	10.9	7.8	34.9	11.4	10.0
Net leverage %	74.1%	63.4%	72.0%	74.0%	57.6%	71.6%	71.7%
Adjusted net leverage %	31.7%	46.1%	33.4%	31.0%	39.9%	31.9%	30.0%
Average no. homes	80,054	76,652	156,706	77,929	76,303	154,231	40,364
Rent per unit	£4,029	£3,314	£3,679	£3,748	£3,173	£3,463	£3,321
Turnover per unit	£5,528	£3,823	£4,694	£5,119	£3,620	£4,377	£4,275
Increase in rent per unit	7.5%	4.5%	6.2%	5.8%	3.7%	4.3%	2.7%
Increase in turnover per unit	8.0%	5.6%	7.2%	4.3%	2.6%	2.4%	2.6%
Leverage	80.2	69.1	77.9	69.4	43.8	64.9	65.0
Gearing Reserve	19.8	30.9	22.1	30.6	56.2	35.1	35.0
Gearing	54.0%	89.4%	58.0%	51.5%	73.6%	53.6%	50.1%
Bad debts and Voids/Gross rent receivable	2.3%	2.9%	2.5%	2.0%	2.8%	2.4%	2.1%



# 07

## Acknowledgements





# Acknowledgements

Community Housing Cymru Group and Welsh Government would like to thank the following individuals and organisations for their assistance in making this publication possible

**Sarah Cole,**  
Director of Finance & IT  
Cadwyn Housing Association

**Tim Blanch,**  
Chair  
Community Housing Cymru Group

**Steve Evans,**  
Head of Finance & ICT  
Community Housing Cymru Group

**Shaun Gealy,**  
Manager  
KPMG

**Debbie Green,**  
Director of Finance & IT  
Coastal Housing Group

**Claire McDougall,**  
Central Services Officer  
Community Housing Cymru Group

**Sean Rooke,**  
Financial Analyst  
Welsh Government

**Bethan Samuel,**  
Communications Officer  
Community Housing Cymru Group

**Carl Sargeant AM,**  
Minister for Housing and Regeneration  
Welsh Government

Thanks to United Welsh for providing the front cover photograph.

**Community Housing Cymru Group /  
Grwp Cartrefi Cymunedol Cymru,**  
2 Ocean Way,  
Cardiff,  
CF24 5TG

**Welsh Government /  
Llywodraeth Cymru**  
Rhydycar,  
Merthyr Tydfil,  
CF48 1UZ