

Homes for Northumberland Limited
(formerly Blyth Valley Housing Limited)
(Limited Company by Guarantee)

Directors' report and financial
statements

Registered number 4375380

31 March 2009

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Company information

Directors

The names of the directors who have served during the year and up to the date of these financial statements are as follows:

Cllr Robert Arckless	(appointed 24 April 2009)	Council Member
Cllr Gordon Castle	(appointed 24 April 2009)	Council Member
Cllr Barrie Crowther	(appointed 24 April 2009)	Council Member
Cllr Gordon Webb		Council Member
Cllr Ian Ayres	(retired 1 April 2009)	Council Member
Cllr Robert Miles Cole	(retired 1 April 2009)	Council Member
Cllr Alisdair Lindsey Gibbs-Barton	(retired 1 April 2009)	Council Member
Cllr George Samuel Milburn	(retired 1 April 2009)	Council Member
Cllr Jeffrey Stewart Reid	(retired 1 April 2009)	Council Member
Cllr Margaret Rochester	(retired 1 April 2009)	Council Member
Robert Bertram		Tenant Board Member
Maureen McAvoy		Tenant Board Member
Kathleen Morgan	(appointed 1 April 2009)	Tenant Board Member
Mohamed Gadema	(retired 11 May 2009)	Tenant Board Member
Robert Ridge	(retired 11 May 2009)	Tenant Board Member
Ralph Young	(deceased 30 January 2009)	Tenant Board Member
Keith Bedford		Independent Board Member
Russell John Hall	(appointed 8 April 2009)	Independent Board Member
Lesley Matthews	Chair	Independent Board Member
Angela Woodburn	(appointed 8 April 2009)	Independent Board Member
Patricia Elliott	(appointed 12 November 2008, retired 1 April 2009)	Independent Board Member
Eric Richards	(retired 12 November 2008)	Independent Board Member

Company Secretary

Mr A Hepple	(retired 1 March 2009)
Mr J I Henderson	(appointed 1 March 2009)

Registered Office

Dinsdale House
75 Marine Terrace
Blyth
NE24 2LN

Registered number

Registered under the Companies Act 1985 (registered number 4375380).

Company information *(continued)*

Senior Management

Ray Boycott	-	Managing Director
Iain Henderson	-	Director of Finance & Resources
Anna Benbow	-	Director of Property Services
Allan Hepple	-	Director of Neighbourhood Services

Auditors

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Solicitors

Eversheds
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3XX

Trowers & Hamlin
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Bankers

The Co-operative Bank
1st Floor
Norfolk House
Grey Street
Newcastle upon Tyne
NE1 6BZ

Directors' report

The directors present their report and financial statements for the year ended 31 March 2009.

Company information

Homes for Northumberland Limited is an Arms Length Management Organisation (ALMO). It was established as Blyth Valley Housing Limited under round two of the Government's Arms Length Housing Management programme. It was incorporated on 15 February 2002 and commenced its operations on 1 April 2002. On 1 April 2009 it changed its name to Homes for Northumberland Limited following local government reorganisation in the county of Northumberland.

Legal status

Homes for Northumberland is a company limited by Guarantee; the company Registration Number is 4375380.

From incorporation until 1 April 2009 it was owned by Blyth Valley Borough Council as sole member. Following local government reorganisation on 1 April 2009 it is owned by Northumberland County Council as the successor body to Blyth Valley Borough Council.

There is a limited liability on the member of the company who will not be liable for the company's debts beyond the £1 which they guarantee to pay under the Memorandum of Association.

The Company does not distribute profits to its member. Any operational surpluses are used by the company to support the services it provides.

Principal Activities

The principal activities of the company are the management, day to day maintenance, and capital improvement programme of the housing stock of Northumberland County Council.

Management Agreement

The Company has a 15 year Management Agreement in place with Northumberland County Council until 31 March 2022.

Results for the Year

The company made a surplus before tax of £111,000 for the year (2008: £313,000). This reflects a solid financial performance given all of the preparation that took place for the changes in the company's field of operations on 1st April 2009.

The deficit in the company's pension scheme increased significantly over the course of the year, from £2.59m to £8.07m. This deficit does not represent a current liability, however, but is a product of a range of economic factors external to the company and over which the company has no control.

The company is making regular pension payments into the pension scheme in line with the actuary's advice. These payments are designed to cover funding of the deficit over the longer term, as well as the current service costs. The costs of these payments are wholly covered by income the company receives from the Council as part of the Management Fee.

Directors' report *(continued)*

Results for the Year *(continued)*

The Council remains responsible for the deficit in the pension scheme accrued in the period when the staff were directly in the service of the council. The Management Agreement referred to above states, in clauses 56.7 and 56.8 that: "The Council will in relation to those Transferring Employees who are members of the Local Government Pension Scheme upon demand make such payments to the Administering Authority as are necessary to ensure the accrued benefits of the Transferring Employees whilst in the service of the Council are fully funded. Until such payments are made the Council agrees to indemnify the organisation against all costs, proceedings, liabilities and claims of whatsoever nature in respect of the Transferred Employees' membership of the local Government Pension Scheme whilst in service of the Council."

As at 31 March 2009, the company had 6,727 homes in management in the Blyth Valley area (2008: 6,799).

The company continues to deliver a significant programme of capital investment in its housing stock beyond the level required by the Decent Homes Standard. During the year improvements to the value of £9,938,000 were carried out by the company on 2,294 homes.

Post Balance Sheet Events

On 1 April 2009, in line with the change of name to Homes for Northumberland Limited following local government re-organisation in the county, the company took on the management and maintenance of the housing stock of what had previously been Alnwick District Council.

The housing stock taken on amounted to 1,695 homes located in the former Alnwick District Council area, to add to the 6,727 homes in the former Blyth Valley Borough Council area which the company already managed.

Homes for Northumberland is the largest social housing organisation operating in Northumberland, with 8,422 homes in management on 1 April 2009.

In addition, 34 staff who provided the management and maintenance service to the housing stock in Alnwick were transferred to Homes for Northumberland on the TUPE regulations.

Future Developments and Risks

Much of the focus of the work of the company in the early part of the new financial year will be to integrate the two geographical areas of the business into one business.

The company will be continuing its programme of major improvements works to the housing stock of Northumberland County Council. Planned expenditure for the year is £7,926,000 on 1,434 properties throughout the Alnwick and Blyth Valley areas.

With the assistance of Northumberland County Council, the company will be preparing a five year Business Plan and an associated financial plan to set out its plans and objectives. The company will also be assisting Northumberland County Council in preparation of its county-wide housing strategy.

The company hopes to be able to commence its first new development of social housing with support from Northumberland County Council by way of land and prudential borrowing and with grant funding from the Homes and Community Agency.

Directors' report *(continued)*

The Board

The governing body of Homes for Northumberland is the Board of Directors.

Prior to 1st April 2009, the Board comprised of seven councillors (nominated by Blyth Valley Borough Council), five tenants and three independent members.

Following local government re-organisation on 1st April 2009, the Board now comprises four councillors (nominated by Northumberland County Council), four tenants, and four independent members. Tenant and independent board members are subject to rotational retirement rules as set out in the Company's Articles of Association.

The names of those persons who have served on the Board during the year and up to the date of this report are noted on Page 1.

A register of board members' interests is maintained. All board members are subject to the requirement to declare any interests and cease to participate in any decision making where a pecuniary or non-pecuniary interest exists.

Corporate Governance

The Board has ultimate responsibility for the internal governance of the company. Its role is to direct the work of the company, determine its strategic direction, deliver its commitments under the Management Agreement, approve the policies of the company, and approve annual budgets.

The Board meets eight times a year for regular business. During the course of the year to 31st March 2009, a number of subsidiary panels also operated to scrutinise policy, services and performance in greater detail. These met at varying times during the course of the year.

With effect from 1st April 2009, the Board has established two separate Area Boards, to take care of the interests of the two principal areas of Northumberland in which the company now operates, covering the former Alnwick district and the former Blyth Valley borough. As a result of the establishment of these Area Boards, the operation of the previous panels has ceased. Board are currently reviewing the need for the panels in the light of the amended constitution, with a view to recommencing some of them.

The panels and area boards have clear terms of reference detailing their functions, together with decisions that should be referred to the Board for approval and those that have been delegated. All the Company's corporate governance arrangements are set out in the Handbook issued to all Board members.

Internal Controls

The Board acknowledge their ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable, and not absolute, assurance with respect to:

- the reliability of financial information used within the Company or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposal.

It is the Board's responsibility to establish and maintain systems of internal control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

Directors' report *(continued)*

Internal Controls *(continued)*

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets;
- experienced and suitable qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Board and managers to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board;
- the Board reviews reports for management, from internal auditors and from external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Company.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

Employee Involvement

Homes for Northumberland aims to be an Employer of Choice, and regards its staff as its greatest asset.

The company has an established Joint Consultation Forum which aims to ensure that a genuine exchange of views and ideas between the board, managers and employees or their representatives is maintained.

The Joint Consultation Forum deals with consultation issues around terms and conditions and employment policies, and seeks to develop and implement those employment policies.

The company has established routines for sharing information and ideas between management and staff, including regular newsletters, team meetings, regular one-to-one meetings, and a formal annual appraisal process which involves the production of a Personal Development Plan for each member of staff.

Performance

Homes for Northumberland Limited is committed to maintaining high performance for its customers. We measure ourselves against a range of indicators and compare ourselves nationally with other ALMOs.

A selection of the more significant indicators is listed below, together with comparisons for the previous year and an indication of how we compare against other ALMOs, is listed below.

Directors' report *(continued)*

Performance *(continued)*

Measure	Is higher or lower better?	This year's performance 2008/2009	Last years performance 2007/2008	ALMO top quartile performance	ALMO quartile comparison
Net satisfaction of tenants with overall service	H	83.83	N/A	74.35	1
Net satisfaction with R & M service	H	86.34	N/A	67.00	1
Proportion of rent collected	H	97.51	99.15	98.46	3
Percentage rent arrears of current tenants	L	2.54	1.31	1.67	3
Percentage of rent loss through vacant dwellings	L	0.46	0.63	1.04	1
The number of working days lost to sickness absence	L	12.75	11.75	9.29	3
Average time to re-let housing	L	25.78	27.92	25.55	2
Percentage of urgent repairs completed within government time limits	H	98.30	98.00	99.22	2
Percentage of emergency repairs completed on time	H	98.17	97.20	99.24	3
Percentage of urgent repairs completed on time	H	97.63	98.09	98.65	2
Percentage of routine repairs completed on time	H	98.36	98.89	97.86	1

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Lesley Mathews
Chair

9 September 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditors' report to the members of Homes for Northumberland Limited (formerly Blyth Valley Housing Limited) (Limited Company by Guarantee)

We have audited the financial statements of Homes for Northumberland Limited (formerly Blyth Valley Housing Limited) for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Homes for Northumberland Limited (formerly Blyth Valley Housing Limited) (Limited Company by guarantee) (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP
Chartered Accountants
Registered Auditor

2009

Income and expenditure account
for the year ended 31 March 2009

	<i>Note</i>	2009 £000	2008 £000
Turnover	2	8,921	8,739
Operating costs	2	(10,334)	(9,799)
		<hr/>	<hr/>
Other operating income	2	(1,413) 1,639	(1,060) 1,283
		<hr/>	<hr/>
Operating surplus		226	223
Interest receivable and other income	6	65	100
Other finance costs	7,19	(180)	(10)
		<hr/>	<hr/>
Surplus on ordinary activities before taxation	3	111	313
Tax on surplus from ordinary activities	8	(10)	(15)
		<hr/>	<hr/>
Surplus for the year	17	101	298
Revenue reserves brought forward	17	1,207	909
		<hr/>	<hr/>
Revenue reserves carried forward	17	1,308	1,207
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

The notes on pages 16 to 28 form part of these financial statements.

Balance sheet
at 31 March 2009

	<i>Note</i>	2009		2008	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		193		209
Current assets					
Stocks	10	236		246	
Debtors	11	446		257	
Cash at bank and in hand		1,457		1,522	
		<u>2,139</u>		<u>2,025</u>	
Creditors: amounts falling due within one year	12	(794)		(697)	
Net current assets			1,345		1,328
Provisions for liabilities and charges	13		-		-
Total assets less current liabilities			<u>1,538</u>		<u>1,537</u>
Creditors: amounts falling due after more than one year					
Net pension liability	19		8,070		2,590
Capital and reserves					
Profit and loss account excluding pension reserve		1,538		1,537	
Pension reserve	17	(8,070)		(2,590)	
Profit and loss account including pension reserve			<u>(6,532)</u>		<u>(1,053)</u>
Total long term liability, capital and reserves			<u>1,538</u>		<u>1,537</u>

These financial statements were approved by the Board of Directors on 9 September 2009 and were signed on its behalf by:

Lesley Mathews
Chair

Ray Boycott
Managing Director

Cash flow statement
for the year ended 31 March 2009

	<i>Note</i>	2009	2008
		£000	£000
Cash flow from operating activities	<i>14</i>	(62)	265
Interest received		65	100
Net cashflow from returns on investment and servicing of finance		65	100
Capital expenditure		3	365
Purchase of tangible fixed assets		(68)	(193)
(Decrease)/increase in cash	<i>15</i>	(65)	172

Statement of total recognised surpluses and deficits
for the year ended 31 March 2009

	<i>Note</i>	2009 £000	2008 £000
Surplus for the financial year		101	298
Actuarial (loss)/gain recognised in the pension scheme	<i>19</i>	(5,580)	1,070
Total recognised (deficits)/surpluses recognised since the last annual report		(5,479)	1,368

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

The amendment to FRS 17 'Retirement benefits' has been adopted in these financial statements for the first time and the disclosures it requires have been presented for both the current and comparative period. The amendment to FRS 17 also requires that quoted securities and assets are valued at their current bid-price rather than their mid-marked value.

This adoption of the amendment has no material effect on the report results or net assets.

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

The accounts have been prepared on a going concern basis which the directors believe is appropriate based on their understanding of the future trading and cashflows of the company. The contract between Northumberland County Council and the company ends on 31 March 2022.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors report.

The current economic conditions create an element of uncertainty over the company's activities. The company's forecasts and projections, taking account a reasonably possible changes in performance show that the company is expected to have a sufficient level of finance resources available through current banking facilities and therefore the directors believe that the company is well placed to manage its business risks successfully despite the economic uncertainty.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	5 years
Software	-	3-5 years

The charge for depreciation commences in the month that the asset is brought into use.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

Notes (continued)

1 Accounting policies (continued)

Post retirement benefits

The Company participates in the Northumberland County Council Pension Fund. The scheme is a final salary Local Government Pension Scheme and retirement benefits to employees of the Company are funded by contributions from all participating employers and employees in the scheme. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable to the various participating organisations. The amount charged to the income and expenditure account in respect of the scheme is based on actuarial estimates and is calculated to spread the cost of pensions over employees' working lives with the company.

The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent it is recoverable) or deficit is recognised in full. The movement in scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Turnover

Turnover represents fees receivable from Blyth Valley Borough Council for the management and maintenance of Blyth Valley Borough Council's housing stock.

Notes (continued)

1 Accounting policies (continued)

Government grants

Revenue based government grants are included within accruals and deferred income in the balance sheet and are credited to the profit and loss account over the period of expenditure.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments which are disposed of without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or are traded in an active market.

2 Analysis of turnover and operating surplus

	2009 £000	2008 £000
Turnover		
Management fee	5,681	3,953
Repairs and maintenance	3,240	4,786
	<u>8,921</u>	<u>8,739</u>
Operating costs		
Management of housing stock	(4,282)	(4,178)
Repairs and maintenance of housing stock	(5,219)	(4,851)
Sheltered units and community houses	(317)	(277)
Procurement unit	(516)	(493)
	<u>(10,334)</u>	<u>(9,799)</u>
Other operating income (other management fees including capital programme and other income)	1,639	1,283
Operating surplus	<u>226</u>	<u>223</u>

3 Surplus on ordinary activities before taxation

	2009 £000	2008 £000
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	84	30
Audit of these financial statements	15	12
	<u>99</u>	<u>42</u>

Notes *(continued)*

4 Remuneration of directors

The directors received an allowance (in respect of expenses) of £50 each during the financial year. The aggregate amount of expenses paid to Board members in the year was £450 (2008: £450).

5 Employee information

The average number of persons employed by the company (excluding directors) during the year, analysed by category, was as follows:

	Number of employees	
	2009	2008
Supervision and management	101	116
Repairs and maintenance	90	82
	<hr/>	<hr/>
Total	191	198
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2009	2008
	£000	£000
Wages and salaries	4,252	4,174
Social security costs	295	292
Other pension costs	500	900
	<hr/>	<hr/>
	5,047	5,366
	<hr/> <hr/>	<hr/> <hr/>

6 Interest receivable and similar income

	2009	2008
	£000	£000
Bank interest	65	100
	<hr/>	<hr/>

7 Other finance costs

	2009	2008
	£000	£000
Pension interest cost (see note 19)	180	10
	<hr/> <hr/>	<hr/> <hr/>

Notes (*continued*)

8 Taxation

	2009	2008
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	10	8
Adjustments in respect of prior periods	-	1
	<hr/>	<hr/>
	10	9
Deferred tax (see note 13)	<hr/>	<hr/>
Origination/reversal of timing differences	-	6
	<hr/>	<hr/>
Total deferred tax	-	6
	<hr/>	<hr/>
Tax on surplus on ordinary activities	10	15
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than (2008: *lower than*) the standard rate of corporation tax in the UK (21%, 2008: 20%). The differences are explained below.

	2009	2008
	£000	£000
<i>Current tax reconciliation</i>		
Surplus on ordinary activities before tax	111	313
	<hr/>	<hr/>
Current tax at 21% (2008: 20%)	23	63
<i>Effects of:</i>		
Income not taxable for tax purposes	(25)	(54)
Expenses not deductible for tax purposes	13	7
Depreciation in excess of capital allowances	(1)	(1)
Unrelieved tax losses and other deductions arising in the period	-	(6)
	<hr/>	<hr/>
Total current tax charge (see above)	10	9
	<hr/> <hr/>	<hr/> <hr/>

Agreement has been reached with the HMRC with regard to the taxable status of ALMO's. HMRC's guidance states that where an ALMO meets certain tests, they consider that there is insufficient commerciality between the ALMO and its parent council for the activities to be considered trading. Any surplus arising, and similarly, any losses, are therefore outside the scope of corporation tax. HMRC agreed that Blyth Valley Housing Limited could take advantage of the beneficial tax treatment in June 2008.

Notes (continued)

9 Tangible fixed assets

	Fixtures, fittings, tools and equipment £000	Software £000	Total £000
<i>Cost</i>			
At beginning of year	89	173	262
Additions	8	60	68
	<hr/>	<hr/>	<hr/>
At end of year	97	233	330
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>			
At beginning of year	37	16	53
Charge for year	21	63	84
	<hr/>	<hr/>	<hr/>
At end of year	58	79	137
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 March 2009	39	154	193
	<hr/>	<hr/>	<hr/>
At 31 March 2008	52	157	209
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

10 Stocks

	2009 £000	2008 £000
Raw materials and consumables	236	246
	<hr/> <hr/>	<hr/> <hr/>

11 Debtors

	2009 £000	2008 £000
Other debtors	183	35
Northumberland County Council (formerly Blyth Valley Borough Council)	263	222
	<hr/>	<hr/>
	446	257
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

12 Creditors: amounts falling due within one year

	2009	2008
	£000	£000
Trade creditors	-	224
Taxation and social security	266	199
Other creditors	169	23
Northumberland County Council (formerly Blyth Valley Borough Council)	44	160
Deferred income	315	91
	<hr/>	<hr/>
	794	697
	<hr/> <hr/>	<hr/> <hr/>

13 Provisions for liabilities and charges

The elements of deferred taxation are as follows:

	2009	2008
	£000	£000
Other timing differences	-	-
Tax losses	-	-
	<hr/>	<hr/>
Deferred tax asset	-	-
	<hr/> <hr/>	<hr/> <hr/>

14 Reconciliation of operating surplus to net cashflow from operating activities

	2009	2008
	£000	£000
Operating surplus	226	223
Depreciation charged	84	30
Decrease/(increase) in stocks	11	(21)
(Increase) in debtors	(189)	(79)
Increase/(decrease) in creditors	86	(98)
Difference between pension charge and actual cash contributions	(280)	210
	<hr/>	<hr/>
Net cashflow from operating activities	(62)	265
	<hr/> <hr/>	<hr/> <hr/>

15 Analysis of net funds

	At beginning	Cashflow	At end
	of year	of year	of year
	£000	£000	£000
Cash at bank and in hand	1,522	(65)	1,457
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

16 Share capital

The company does not have any share capital as it is limited by guarantee of £1 per member. Membership at March 2009 was 1 (2009: 1).

17 Reserves

	2009	2008
	£000	£000
		Total reserves
		£000
At beginning of year		(1,053)
Retained surplus for the year		101
Actuarial loss recognised in the pension scheme		(5,580)
		<hr/>
At end of year		(6,532)
		<hr/> <hr/>
	2009	2008
	£000	£000
Profit and loss account excluding pension reserve	1,538	1,537
Pension reserve	(8,070)	(2,590)
	<hr/>	<hr/>
Profit and loss account including pension reserve	(6,532)	(1,053)
	<hr/> <hr/>	<hr/> <hr/>

18 Reconciliation of movement in shareholders' funds

	2009	2008
	£000	£000
Surplus for the financial year	101	298
Other recognised surpluses and (deficits) relating to the year	(5,580)	1,070
	<hr/>	<hr/>
Net (decrease) /increase in shareholders' funds	(5,479)	1,368
Opening shareholders' deficit	(1,053)	(2,421)
	<hr/>	<hr/>
Closing shareholders' deficit	(6,532)	(1,053)
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

19 Pensions

Defined Benefit Scheme

The company participates as an admitted body in a Local Government Pension Scheme, Northumberland County Council Pension Fund, which is administered by Northumberland Council County Borough Council. The scheme, which is a defined benefit scheme, is operated in accordance with the Local Government Superannuation Regulations. The latest full actuarial valuation was carried out at 31 March 2007 and was updated for FRS 17 purposes to 31 March 2009 by Hewitt Associates Ltd, a qualified independent actuary.

The information disclosed below is in respect of the company share of cost under the Local Government Pension scheme, Northumberland County Council Pension Fund throughout the periods shown.

The company is making regular pension payments into the pension scheme in line with the actuary's advice. These payments are assigned to cover current service costs. The costs of these payments are wholly covered by income the company receives from the council as part of the management fee.

	2009	2008
	£000	£000
Present value of funded defined benefit obligations	(17,540)	(14,070)
Fair value of plan assets	9,470	11,480
	<hr/>	<hr/>
Scheme deficit	(8,070)	(2,590)
Present value of unfunded defined benefit obligations	-	-
	<hr/>	<hr/>
Scheme deficit	(8,070)	(2,590)
Related deferred tax asset	-	-
	<hr/>	<hr/>
Net liability	(8,070)	(2,590)
	<hr/> <hr/>	<hr/> <hr/>

Movements in present value of defined benefit obligations

	2009	2008
	£000	£000
At 1 April	14,070	14,940
Current service cost	500	700
Past service cost	-	200
Interest cost	980	810
Actuarial losses/(gains)	1,860	(2,700)
Contributions by members	220	210
Benefits paid	(90)	(90)
	<hr/>	<hr/>
At 31 March	17,540	14,070
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

19 Pension schemes *(continued)*

Movements in fair value of plan assets

	2009	2008
	£000	£000
At 1 April	11,480	11,320
Expected return on plan assets	800	800
Actuarial losses	(3,720)	(1,630)
Contributions by employer	780	690
Contributions by members	220	210
Benefits paid	(90)	90
	<hr/>	<hr/>
At 31 March	9,470	11,480
	<hr/> <hr/>	<hr/> <hr/>

Expense recognised in the profit and loss account

	2009	2008
	£000	£000
Current service cost	500	700
Past service cost	-	200
Interest on defined benefit pension plan obligation	980	810
Expected return on defined benefit pension plan assets	(800)	(800)
	<hr/>	<hr/>
Total	680	910
	<hr/> <hr/>	<hr/> <hr/>

The expense is recognised in the following line items in the profit and loss account:

	2009	2008
	£000	£000
Administrative expenses	500	900
Other finance costs	180	10
	<hr/> <hr/>	<hr/> <hr/>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is (£5,580,000) (2008: £1,070,000).

Notes (*continued*)

19 Pension schemes (*continued*)

The fair value of the estimated asset allocation of the Northumberland County Council Pension Fund and the return on those assets were as follows:

	2009	2008
	Fair value	Fair value
	£000	£000
Equities	6,430	7,554
Gilts	663	918
Bonds	1,733	1,997
Property	540	815
Cash	104	196
	<hr/>	<hr/>
	9,470	11,480
	<hr/>	<hr/>
Actual return on plan assets	(2,920)	(830)
	<hr/>	<hr/>

None of the fair values of the assets shown above include any of the company's own financial instruments or any property occupied, or other assets used by the company.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2009	2008
	%	%
Discount rate applied to scheme liabilities	6.4%	6.8%
Future salary increases	5.2%	5.2%
Future pension increases	3.7%	3.7%
Price increases	3.7%	3.7%
	<hr/>	<hr/>

Notes (*continued*)

19 Pension schemes (*continued*)

Valuation Assumptions

	2009	2008	2007
Expected return on assets:			
- Equities	7.0%	7.6%	7.7%
- Government bonds	4.0%	4.6%	4.7%
- Corporate bonds	5.8%	6.8%	5.3%
- Property	6.0%	6.8%	6.7%
- Cash/other assets	1.6%	6%	5.6%

The post retirement mortality tables adopted were the PA92 series projected to calendar year 2007 for current pensioners and scaling factor.

In valuing the liabilities of the pension fund at 31 March 2009, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2009 would have increased by £0.35m before deferred tax.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Life expectancy from age 65 (years):

	Males	Females
Retiring today	21.8	23.9
Retiring in 20 years	24.1	26.0

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

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2009	2008	2007	2006	2005
	£	£	£	£	£
Present value of scheme liabilities	(17,540)	(14,070)	(14,940)	(13,620)	(11,070)
Fair value of scheme assets	9,470	11,480	11,500	9,910	7,150
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit	(8,070)	(2,590)	(3,440)	(3,710)	3,920
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Experience adjustments

	2009	2008	2007	2006	2005
	£	£	£	£	£
Experience adjustments on Scheme assets	3,680	1,630	-	-	-
Experience adjustments on scheme liabilities	100	120	-	-	(230)

The Company expects to contribute approximately £820,000 to its defined benefit plans in the next financial year.

Notes (continued)

20 Related party disclosures

The company's main source of income is management fees and charges from Blyth Valley Borough Council. Its ultimate parent undertaking. Income from the Council amounted to £8,921,000 (2008: £8,739,600).

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is ultimately responsible to Northumberland County Council (formerly Blyth Valley Borough Council).

The consolidated accounts of the Council are available to the public and may be obtained from Northumberland County Council, County Hall, Morpeth, Northumberland, NE61 2EF.

22 Contingent liability

In line with other ALMO's, Homes for Northumberland Limited believes that its activities with Northumberland County Council do not amount to a trade for corporation tax purposes. This is on the basis of guidance issued by HM Revenue & Customs' ('HMRC') which states that the relationship between an ALMO and its parent council, as they understand it, lacks the necessary level of commerciality for the activities to be considered a trade for corporation tax purposes. Any surplus arising, and similarly any losses, are therefore outside the scope of corporation tax.

The directors reviewed the legal framework of Blyth Valley Housing Limited and submitted a report to HMRC, who accepted the report in June 2008 on the basis that the company's main trading activities with Blyth Valley Borough Council were outside the scope of corporation tax.

The directors have therefore prepared the accounts on the basis that the company is only liable to corporation tax on its activities with third parties. This status will need to be reviewed annually.

23 Post balance sheet events

On 1 April 2009 Blyth Valley Housing Limited changed its name to Homes for Northumberland Limited following the local government reorganisation in the County of Northumberland. It is now owned by Northumberland County Council as the successor body to Blyth Valley Borough Council.