**Company Registration No. 04375380 (England and Wales)**

**HOMES FOR NORTHUMBERLAND LIMITED**

**Annual Report and Financial Statements**

**for the Year Ended 31 March 2015**

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**Introduction**

**Homes for Northumberland**

Homes for Northumberland Limited is an Arm’s Length Management Organisation (ALMO) of Northumberland County Council. The principal activities of the Company are the management, day to day maintenance and capital improvement programme of council housing stock on behalf of the Council. The Company also owns, manages and lets 22 properties (4 in shared ownership) on a site in Allendale in Northumberland.

The Company was initially 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 operations on 1 April 2002. On 1 April 2009 it changed its name to Homes for Northumberland Limited following local government reorganisation in Northumberland when six district councils and the county council merged into one unitary authority. On that date, the Company expanded to take on responsibility for the management of the Council’s housing stock in the district of Alnwick as well as Blyth Valley.

The Company’s vision is to create and sustain better homes, services, neighbourhoods and communities.

The Company’s core objectives are to:

* Deliver improving services;
* Be a well-run and cost effective business;
* Empower tenants; and
* Build a stronger future.

**Strategic Report**

**Review of the Business – Operational Issues**

The key operational development for Homes for Northumberland in 2014./15 was an announcement by Northumberland County Council that it would review the future delivery of housing management. This led to a decision in June 2015 to end the arm’s length management arrangement for the Council’s housing stock. These new arrangements will begin from 1 September 2015. The Council proposes to transfer all of Homes for Northumberland Limited’s staff at that date on a TUPE basis into the Council. Homes for Northumberland Limited will continue to operate after this date but only as a vehicle to hold the 22 properties in Allendale.

Against this background, during 2014/15 we continued to diversify the activities undertaken by Homes for Northumberland Limited, building on the additional work that had been generated in 2013/14. At the end of the year, we had projects that covered a variety of new business streams including:

* Enhancing specific elements of the Council’s housing stock in-house rather than contracting work out to third parties – focussing on central heating, kitchen and bathroom installation;
* Working directly with Northumberland County Council to install solar voltaic panels on the roofs of council houses;
* Managing facilities at the Haltwhistle Integrated Care Scheme. This pioneering purpose-built scheme is one of the first to provide hospital and social care support under one roof. The facility has 12 extra-care flats on the ground floor and 15 hospital beds providing rehabilitation support and care for elderly patients;
* Undertaken project management work on behalf of Northumberland County Council in relation to their council house new build programme; and
* Repairs and maintenance work on the Council’s wider (ie non-housing) property portfolio.

These additional activities have seen an increase in staff in the business - from 211 at the start of the year to 263 at the year-end. The 263 includes 18 apprentices. The additional revenue generated by the new business has helped to transform the financial position of the Company (discussed below). Some elements of the new work have attracted national attention and have been nominated for a variety of awards. For example:

* RICS North East Renaissance awards Regeneration category – Haltwhistle and Ark Royal developments;
* Chartered Institute of Housing, North East Celebrating the Region award 2015 – Inspirational Project of the Year – Haltwhistle Integrated Care Facility; and
* UK Housing Awards 2015 – Highly Commended – Diversifying your Business – Haltwhistle Integrated Care Facility

**Strategic Report (continued)**

**Review of the Business - Operational Issues (continued)**

Despite these developments in the business, our focus during 2014/15 has been resolutely on our core housing management. Our ambition is to build on a survey of tenants undertaken in February 2014 that showed a high level of satisfaction with our services.

Homes for Northumberland Limited’s housing management activities in 2014/15 have continued against the background of significant changes to the welfare system and in particular, the impact of under-occupancy on housing benefit entitlement. These new rules, which affect people of working age, reduce Housing Benefit payments in the circumstance in which a home is considered to be too large for the household's needs. We have monitored the impact of these changes on our customer base.

The operational issues for Homes for Northumberland Limited in the year were:

* There have been significant pressures from void properties. The total number of properties in the year that have been void is 840. 125 of the 840 properties are long-standing voids where small capital schemes were required to bring the properties up to standard. Collectively, this equates to 1.25% of total rent lost at the end of the year which translates to £288,671.71of potential revenue for the Council;
* Of the 715 properties allocated, 356 took longer than 30 days to allocate. This was due to a high number of properties requiring significant amounts of work and a number of voids which were hard to let and had to be advertised on more than three occasions.
* It is clear that rent loss owing to voids has increased but, rent charges have increased significantly in the same period along with the number of voids, so this outcome is unsurprising.
* We have had some particular difficulties with demand for sheltered accommodation. During 2014/15 we had 48 voids of which 30 properties were allocated outside of the 30 day priority with some properties taking up to 80 days to allocate. This was due to the simple fact that there was little to no demand within particular schemes.
* There has been a 53% increase in the number of empty homes in 2014/15 compared with four years ago. Whilst it is recognised that performance has decreased in comparison to four years ago, this has to be viewed within a wider context when we have had little or no increase in resource to meet the upsurge in demand. We have also had a lot of new build activity that has had a medium term impact on supply.
* We have seen a wide range of properties that have proved difficult to let, from three bedroom maisonettes in Blyth town centre to sheltered accommodation in Alnwick and surrounding rural areas. We have embarked on a more proactive marketing campaign for hard to let properties, including advertising on the HfN Facebook page, ‘estate agent style’ To-Let boards and also by professional networking with our partners in, for example, Occupational Health.
* The Lettings Team recently concluded a pilot scheme, introduced by Northumberland County Council, to reduce the bedroom eligibility criteria on properties. Normally, an applicant would only be able to bid for a property with the number of bedrooms they are entitled to. Where there are properties will no applicants that meet these criteria, the common allocation policy allows us to then advertise the property again and offer it to applicants with lower entitlement. This adds a week onto the lettings process.
* The pilot saw us reduce the bedroom entitlement for every property with a clear caveat that preference will always be given to an applicant with the actual requirement for that number of bedrooms. The pilot ran for 13 cycles (weeks). The previous 13 cycles saw us need to re-advertise 24% of our properties. Impressively, during the 13 cycles we ran this pilot, we saw the number of re-advertisements plummet to just 12%. This has now been adopted permanently.
* More than 10% of our tenants moving house state that they require fewer bedrooms. Whilst we do not have comparative data, it is unlikely this number would have been as high prior to welfare reform.
* We have seen a 26% increase in evictions for rent arrears, from 34 evictions 2013/14 to 43 evictions 2014/15.
* We have seen an increase in our Housing Benefit support work. In 2013/14 we dealt with 308 cases which rose to 327 in 2014/15.
* We continue to deal with referrals to our Money Advice service and have taken on an Apprentice during 2014/15 to assist and help reduce the waiting times, which are now down to 2 to 3 weeks.
* During the year, we opened 559 new cases of anti-social behaviour. Of those, we entered into 27 Acceptable Behaviour Agreements with tenants or those living with them, 15 legal notices were served leading to eight evictions and two suspended possession orders and two ASB injunctions. Our approach is always to prevent cases escalating to legal action but unfortunately this was required in a limited number of situations.
* In mid-2014 we temporarily collapsed our resident engagement structures to allow a full review to be undertaken. This took some months to complete but we are now in the process of populating a number of new groups and aim to elect a new Tenants Forum in the autumn.

**Strategic Report (continued)**

**Review of the Business - Operational Issues (continued)**

* We also undertook a significant consultation exercise during October and November called ‘Get on Board’. Homes for Northumberland Limited hired a double decker bus that visited every community we have a presence in to ask tenants a series of questions about their views on the services we offer. In total we spoke to over 500 tenants and we will use this information to inform our service offer.
* Tenants have consistently told Homes for Northumberland Limited that customer service is a key service to them. During 2014/15 we witnessed a significant improvement in performance compared to the year before:
  + Percentage of abandoned calls has reduced from 3.57% to 1.47%
  + Queries resolved at first point of contact from 91.37% to 97.04%
  + Calls answered in target time has improved from 80.68% to 91.05%
* During the year we spent £290,000 on environmental works; the schemes were chosen by a panel of tenants with the funds split on a proportionate basis between Alnwick and Blyth Valley. The schemes included the installations of hard standings across a range of sites, new paths to bungalows in Blyth, new fencing to bungalows in the Cramlington area and garage forecourts benefitting from the new services.

Homes for Northumberland Limited had three subsidiaries. Two of these, Action for Northumberland Limited and Caring for Northumberland Limited, were never active and we are in the process of closing both. A third subsidiary, Building for Northumberland Limited; was registered with the Homes and Communities Agency as a provider of social housing on 5 March 2015 and is constructing two bungalows. The financial activities of Building for Northumberland Limited in 2014/15 were not significant and they have not been consolidated into these financial statements on the grounds of immateriality.

**Review of the Business - Financial Results for the Year**

The Company’s income and expenditure accounts for the last two years are summarised below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2014/15** |  | 2013/14 |
|  | **£000** |  | £000 |
| Total income | **19,178** |  | 14,326 |
| Operating costs | **(17,704)** |  | (13,827) |
| Operating (deficit)/surplus | **1,474** |  | 499 |
| Net interest credit/(charges) and tax | **238** |  | (16) |
| Deficit for the year | **1,712** |  | 483 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2014/15** | **2013/14** | **2012/13** | **2011/12** | **2010/11** |
| Surplus/(Deficit) | £1,712k | £483k | (£205k)\* | (£432k) | (£42k)\*\* |

\* The deficit reported in 2012/13 was £1,591k, however, this was after an exceptional charge of £1,386k related to a voluntary redundancy programme. This has been adjusted for in the table above.

\*\* The result reported in 2010/11 was a surplus of £3,228k, however, this was after an exceptional credit of £3,260k related to past pensions costs arising as a result of a government decision that increases in public sector pension schemes would be linked to the Consumer Price Index rather than the Retail Price Index. This has also been adjusted for in the table above.

The key factors influencing this position have been:

* Additional revenue generated through new business activities; and
* Continued focus on cost reductions.

Despite this, there have been significant pressures on the financial position in the year:

* The impact of welfare reform, outlined above; and
* The cost of developing the business.

**Strategic Report (continued)**

**Review of the Business – Financial Results for the Year (continued)**

We have successfully addressed these pressures and we have ensured that the costs associated with new business have been met from sources other than the management fee received from Northumberland County Council which represents rent-payers’ funding that cannot, legally, be spent on anything other than council housing.

Homes for Northumberland’s balance sheet indicated that the liquidity of the Company has improved: net current assets increased from £0.3m to £1.5m between 31 March 2014 and 2015. This is mainly the result of an improved cash position (cash moved from nil to £1.7m between the two balance sheet dates).

The other key movement in the balance sheet is an increase in the net pension liability which increased from £5.2m at the start of the year to £7.1m at the end. This is the net impact of an increase in defined benefit obligations (£5.9m) set against an increase in the value of assets (£4.0m).

**Future Developments**

In the light of the Council’s decision to take direct control of housing management, all of Homes for Northumberland Limited’s staff will transfer to the council under TUPE regulations. The core functions of the Company, housing management, repairs and maintenance, and capital improvements to the Council’s housing stock, together with the new strands of business that have been developed over the past two years, will be delivered by the Council.

Homes for Northumberland Limited will continue as a corporate vehicle to hold the housing stock in Allendale and it will buy-in required services from the Council.

**Key Performance Indicators**

The table below sets out the year-end position for those performance indicators that are used by management and the Strategic Board to monitor performance against objectives and overall strategy:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Description** | **Is high or low better?** | **Target 2014/15** | **Outturn 2014/15** | **Target met?** | **Outturn 2013/14** | **Direction of travel between 2012/13 and 2013/14** |
| **Corporate Services:** | | | | | | |
| Average days lost to sickness | L | 9.50 | 8.62 | Y | 10.62 |  |
| Total number of complaints | H\* | 360 | 228 | N | 285 |  |
| **Neighbourhood Services:** | | | | | | |
| Percentage of Customer Service Centre Calls abandoned | L | 4.00 | 1.50 | Y | 2.59 |  |
| Percentage of enquiries dealt with at the first point of contact | H | 95 | 97.66 | Y | 90.18 |  |
| Percentage of calls answered in target time | H | 80 | 88.89 | Y | 83.90 |  |
| Current tenant rent arrears outstanding | L | £450,019 | £575,580 | N | £539,542 |  |
| Former tenant rent arrears outstanding | L | £303,580 | £499,153 | N | £339,773 |  |
| Percentage of rent collected (excluding arrears brought forward) | H | 99.50 | 99.41 | N | 99.61 |  |

**Strategic Report (continued)**

**Key Performance Indicators (continued)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| % rent lost through vacant dwellings | L | 1.00 | 1.25 | N | 1.22 |  |
| **Property Services:** | | | | | | |
| Percentage of gas servicing certificates completed | H | 100.00 | 100.00 | Y | 100.00 |  |
| Percentage of solid fuel servicing certificates completed | H | 100.00 | 100.00 | Y | 100.00 |  |
| Percentage of repairs fixed first time | H | 97.00 | 97.50 | Y | 97.27 |  |
| Percentage of appointments kept against appointments made | H | 99.25 | 99.11 | N | 97.25 |  |
| Average number of days to re-let housing | L | 30 | 33.03 | N | 36.08 |  |

\* Homes for Northumberland Limited promotes its Complaints process to customers with a view to increasing the number of complaints as a driver of service improvement, therefore an increased number of complaints is a positive result.

**Risks and Uncertainties**

The table below sets out the key risks faced by Homes for Northumberland Limited:

|  |  |  |  |
| --- | --- | --- | --- |
| **Risk** | **Impact** | **Assessment of change in risk from 2013/14** | **Mitigation of risk** |
| Activities in Neighbourhood Services are not in line with documented procedures. | * Breaches of the law * Detriment to Homes for Northumberland Limited’s customers * Loss of Northumberland County Council confidence in Homes for Northumberland Limited | The mitigation measures put in place have successfully mitigated the risk.  This is supported by a recent audit review on procedures in Neighbourhood Services. | * Provision of external legal training for all Neighbourhood Services staff. * Commissioned a review of all of the policies and procedures in Neighbourhood Services. * Increased resources in the team through the introduction of agency staff. |
| Focus on new business leads to impairment in those services that represent Homes for Northumberland Limited’s core activities. | * Delivery of core services decline * Detriment to Homes for Northumberland Limited’s customers * Loss of Northumberland County Council confidence in Homes for Northumberland Limited | Performance monitoring (as presented above) indicates that, overall, performance metrics related to Homes for Northumberland’s core activities have improved during 2014/15. This suggests that the risk has diminished during the year. | * Recruited additional staff to deliver new business to ensure that there are adequate resources to maintain core activities. * Reviewed strategic performance information requirements and reporting regime for 2014/15 to ensure that adequate focus is on core activities. |

**Strategic Report (continued)**

**Risks and Uncertainties (continued)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Risk** | **Impact** | **Assessment of change in risk from 2013/14** | **Mitigation of risk** |
| The uncertainty associated with the transfer of housing management to Northumberland County Council has the potential to adversely impact on the morale of staff. This may put pressure on the remaining staff involved in supporting the business prior to transfer. | * Delivery of core services decline * Detriment to Homes for Northumberland Limited’s customers | This is a new risk identified in 2014/15. | * Establish open communications with staff to maintain morale through the transition. * Northumberland County Council has committed to transferring all Homes for Northumberland Limited’s staff to the Council under TUPE terms to maintain continuity of service provision. |
| The HCA’s regulatory framework for social housing requires providers to give tenants a wide range of opportunities to influence and be involved in the formulation of housing-related priorities and strategies and the delivery of housing services.  During 2014/15, Homes for Northumberland Limited suspended some key aspects of the involvement framework including a Forum of engaged tenants, Area Boards in Blyth and Alnwick and some service panels. These were suspended with a view to rebuilding a more empowered base of improved tenants. However, this is still a work in progress. | * Unable to shape services in line with customers’ requirements * Loss of customer confidence in Homes for Northumberland Limited. | This is a new risk identified in 2014/15. | * A Tenant Steering Group was established, supported by an Independent Tenant Advisor (ITA), to represent the tenant voice in relation to the Northumberland County Council review of housing management. * The Steering Group, together with a range of other tenants who have expressed a wish to become involved, will be guided to re-establish the engagement framework – including the development of a new Forum that will have it’s membership populated through a vote by all tenants. The Forum will act as the hub for tenant engagement activities. * A roadshow was conducted in 2014/15 to establish tenants’ requirements in relation to service standards. These are currently being worked up into a new service offer document. * Events have been held with tenants in Alnwick and Blyth to showcase the framework of engagements that management are working towards. |

**Directors’ Report**

**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 Arkless (ceased 8 July 2015) Council Member

Cllr Allan Hepple Council Member

Cllr Gordon Webb (ceased 8 July 2015) Council Member

Cllr Dierdre Campbell (from 3 September 2014) Council Member

Karen Bailey (ceased 8 July 2015) Tenant Board Member

Maureen McAvoy (ceased 8 July 2015) Tenant Board Member

Barbara Woodward (ceased 8 July 2015) Tenant Board Member

Ian North Chair (ceased 8 July 2015) Independent Board Member

Steven Mason (ceased 3 November 2014) Independent Board Member

Claire Butterfield (from 11 December 2014) (ceased 8 July 2015) Independent Board Member

Louise Taylor (from 11 December 2014) Independent Board Member

Geoffrey Paul (from 8 July 2015) Board Member

Kevin Lowry (from 8 July 2015) Board Member

**Company Secretary**

Paul Harrison (ceased 10 July 2015)

**Registered Office**

Civic Centre

Renwick Road

Blyth

Northumberland

NE24 2BX

**Registered number**

Registered under the Companies Act 2006 (registered number 04375380) Homes for Northumberland was incorporated and domiciled in the United Kingdom.

**Senior Management - The Executive Team**

Kevin Lowry Managing Director

Ian Johnson Director of Operations

**Director’s Report (continued)**

**Auditor**

Deloitte LLP

Chartered Accountants and Statutory Auditor

One Trinity Gardens

Broad Chare

Newcastle upon Tyne

Tyne & Wear

United Kingdom

NE1 2HF

**Solicitors**

Eversheds Trowers & Hamlins

Central Square South Sceptre Court

Orchard Street 40 Tower Hill

Newcastle upon Tyne London

NE1 3XX EC3N 4DX

**Bankers**

The Co-operative Bank

1st Floor

Norfolk House

Grey Street

Newcastle upon Tyne

NE1 6BZ

**Board Members and Executive Directors**

The Company’s Board Membership during the year is set out above.

The senior tier of management in the Company is the Executive Team which consists of the Managing Director and Director of Operations. These individuals hold no interest in the Company and act as executives within authority delegated by the Board.

Insurance policies indemnify Board Members and officers against liability when acting for the Company.

**Supplier Payment Policy**

The Company pays suppliers, where possible, within suppliers’ credit terms.

**Political Donations and Expenditure**

The Company made no political donations and did not incur any political expenditure in the year-ended 31 March 2015 (2014: £nil).

**Employees with Disabilities**

The Company positively welcomes applications for recruitment from people with disabilities and has systems in place to ensure that any person with a disability is not disadvantaged in the recruitment process. There are comprehensive support systems to ensure that, should an employee develop a disability whilst working for the Company, support will be provided to maximise the possibility of them being able to continue to work. With advice and guidance from an occupational health service, a range of adaptions/changes to work patterns can be considered to enable staff to remain in employment. All staff have access to a benefits package that includes financial support for optical and dental costs, and money back on a range of complementary treatments and a 24 hour employee assistance programme.

**Director’s Report (continued)**

**Employee Consultation**

The Company has a strong and positive tradition of fully consulting with it recognised trades unions. In 2012/13, a revised recognition agreement between management and the trades unions was implemented. This sets out the ways in which management consults with the trades unions and ensures that the unions have appropriate facilities time to enable a constructive dialogue between us. As well as formal consultation through our trades unions, there are a wide range of communication activities direct with our employees which have been designed to ensure that they are kept fully informed of the Company’s activities. In 2013/14, there were monthly Company-wide Team Briefing sessions for all staff and a regular staff newsletter. Feedback from staff is considered important to ensuring that our employees are consulted and engaged with all aspects of the development of the Company. A major consultation exercise occurred at the beginning of the financial year around the new Company structure which was implemented in May 2013.

**Auditor**

Each of the persons who is a Director at the date of this report confirms that:

* so far as they are each aware, there is no relevant audit information to which the Company’s Auditor is unaware; and
* the Director has taken all the necessary steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company’s Auditor is aware of that information.

This confirmation is given, and should be interpreted in accordance with, the provisions of s418 of the Companies Act 2006.

**Going Concern**

The decision by Northumberland County Council to take direct control of housing management will have a significant impact on the role of Homes for Northumberland Limited going forwards. Specifically, it is planned that, for the foreseeable future, the Company will exist as a corporate vehicle only to hold the Company’s housing assets in Allendale.

The Board therefore has a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Further detail regarding the adoption of the going concern basis can be found in Note 1 – the Statement of Accounting Policies in the financial statements.

The Director’s report, including the Strategic Report, was approved by the Board and signed on its behalf by:

Geoff Paul

Chair

**Directors’ Responsibilities Statement**

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board and signed on its behalf.

Geoff Paul

Chair

**Independent Auditor’s Report to the Members of Homes for Northumberland Limited**

We have audited the financial statements of Homes For Northumberland Limited for the year ended 31 March 2015 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditor**

As explained more fully in the Directors’ Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements and express an opinion in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

**Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on Financial Statements**

In our opinion the financial statements:

* give a true and fair view of the state of the company’s affairs as at 31 March 2015 and of its surplus for the year then ended;
* have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
* have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on Other matter Prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor’s Report to the Members of Homes for Northumberland Limited (continued)**

**Matters on Which we are Required to Report by Exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

* adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
* the financial statements are not in agreement with the accounting records and returns; or
* certain disclosures of directors’ remuneration specified by law are not made; or
* we have not received all the information and explanations we require for our audit.

Paul Thomson ACA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Newcastle-upon-Tyne, UK

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Note** |  |  | 2015  £000 | 2014  £000 |
|  |  |  |  |  |  |
| **TURNOVER** | 2 |  |  | 11,526 | 11,190 |
| Operating costs | 2 |  |  | (17,704) | (13,827) |
|  |  |  |  |  |  |
| **GROSS DEFICIT** |  |  |  | (6,178) | (2,637) |
|  |  |  |  |  |  |
| Other operating income | 2 |  |  | 7,652 | 3,136 |
|  |  |  |  |  |  |
| **OPERATING SURPLUS/(DEFICIT)** |  |  |  | 1,474 | 499 |
|  |  |  |  |  |  |
| Interest payable and similar charges | 6 |  |  | (62) | (66) |
| Other finance (costs)/income | 7 |  |  | 300 | 50 |
|  |  |  |  |  |  |
| **SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION** | 3 |  |  | 1,712 | 483 |
|  |  |  |  |  |  |
| Tax on surplus on ordinary activities | 8 |  |  | 0 | 0 |
|  |  |  |  |  |  |
| **SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR** | 16 |  |  | 1,712 | 483 |
|  |  |  |  |  |  |

All activities derive from continuing operations.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Note |  |  | 2015  £000 | 2014  £000 |
| **FIXED ASSETS** |  |  |  |  |  |
| Tangible assets | 9 |  |  | 2,791 | 2,849 |
|  |  |  |  |  |  |
| **CURRENT ASSETS** |  |  |  |  |  |
| Stocks | 10 |  |  | 384 | 253 |
| Debtors | 11 |  |  | 2,211 | 2,759 |
| Cash | 12 |  |  | 1,666 | 0 |
|  |  |  |  | 4,261 | 3,012 |
|  |  |  |  |  |  |
| **CREDITORS: amounts falling due within one year** | 13 |  |  | (2,766) | (2,760) |
|  |  |  |  |  |  |
| **NET CURRENT ASSETS** |  |  |  | 1,495 | 252 |
|  |  |  |  |  |  |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** |  |  |  | 4,286 | 3,101 |
|  |  |  |  |  |  |
| **CREDITORS: amounts falling due after more than one year** | 14 |  |  | (2,580) | (3,077) |
|  |  |  |  |  |  |
| Net pension liability | 18 |  |  | (7,080) | (5,200) |
|  |  |  |  |  |  |
| **NET LIABILITIES** |  |  |  | (5,374) | (5,176) |
|  |  |  |  |  |  |
| **RESERVES** |  |  |  |  |  |
| Income and expenditure account excluding pension costs |  |  |  | 1,706 | 24 |
| Net pension liability |  |  |  | (7,080) | (5,200) |
|  |  |  |  |  |  |
| **TOTAL RESERVES** | 16, 17 |  |  | (5,374) | (5,176) |
|  |  |  |  |  |  |

The financial statements of Homes for Northumberland Limited, registered number 04375380, were approved by the board of directors and authorised for issue on 19 October 2015.

Signed on their behalf by

Kevin Lowry

Managing Director

Date:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | 2015  £000 | 2014  £000 |
|  |  |  |  |  |  |
| **Surplus for the year** |  |  |  | 1,712 | 483 |
|  |  |  |  |  |  |
| Actuarial (loss)/gain recognised in the pension scheme | 18 |  |  | (1,910) | 3,270 |
|  |  |  |  |  |  |
| **Total recognised (loss)/gain since the last annual report** |  |  |  | (198) | 3,753 |
|  |  |  |  |  |  |

Notes to the Financial Statements

For the Year ended 31 March 2015

# 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.

**Basis of Preparation**

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

The Company is a wholly owned subsidiary of Northumberland County Council. The consolidated financial statements of Northumberland County Council, within which this Company is included, can be obtained from the address given in note 19. Building for Northumberland Limited’s financial statements have not been consolidated into Homes for Northumberland Limited’s financial statements on the grounds of materiality.

The Company is itself a parent of 3 subsidiary undertakings (see note 23) .Two of the subsidiary undertakings are in the process of being struck off at Companies House (Action for Northumberland Ltd and Caring for Northumberland Ltd). The other subsidiary (Building for Northumberland Limited) began trading during 2014-15, however the spend is not material and therefore the Directors have elected not to prepare group financial statements in respect of these undertakings in accordance with s405 of the Companies Act 2006. In reaching this decision the directors have considered the subsidiary undertakings both individually and in aggregate.

**Going Concern**

The financial statements 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 Company’s business activities together with the factors likely to affect its future development, performance and position are set out in the strategic report.

The Company’s principal turnover is related to the management fee paid by Northumberland County Council. The contract between Northumberland County Council and the Company was cancelled by mutual agreement on 16 June 2015 and this takes effect on 31 August 2015. From September 2015 onwards, Homes for Northumberland Limited will continue as a Company limited by guarantee. However, its sole activity will be to act as landlord for its portfolio of properties in Allendale.

The Company’s forecasts and projections, taking account of 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**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. In the case of buildings held for rental purposes (classified as land and buildings in note 9) the directors consider that this element of the business resembles the registered provision of social housing and, as such, the directors have adopted the accounting treatment set out in the Statement of Recommended Practice for Registered Providers of Social Housing to the extent that these assets are carried at cost less depreciation and impairments.

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

Fixtures and fittings 5 years

Software 3-5 years

**1 Accounting Policies (continued)**

**Fixed Assets and Depreciation (continued)**

Depreciation of freehold buildings is charged so as to write down the cost by component on a straight line basis over the estimated useful economic lives of the component categories. Useful economic lives for identified components are as follows:

**Component Useful Economic Life**

Structure 80 years

Roof 50 years

Other 25 years

Freehold land is not depreciated.

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

**Stock**

Stock is stated at the lower of cost and net realisable value. In determining the cost of consumables and goods purchased for use, the weighted average purchase price is used.

**Post-employment 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 by 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.

**Grants**

Capital grants are included in deferred income in the balance sheet and are credited to the income and expenditure account over the estimated useful lives of the assets to which they relate.

**Turnover**

Turnover represents fees receivable from Northumberland County Council for the management and maintenance of Northumberland County Council’s housing stock.

**Cash and Liquid Resources**

The Company’s share of bank balances belonging to Northumberland County Council, which are managed on its behalf by Northumberland County Council, are treated as debtors or creditors as appropriate.

**1 Accounting Policies (continued)**

**Cash and Liquid Resources (continued)**

Homes for Northumberland Limited has taken advantage of an exemption, under FRS1, from the requirement to prepare a cash flow statement. This exemption is available to subsidiary companies where the parent organisation, in this case Northumberland County Council, prepares a consolidated cash flow statement.

**Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

**Borrowing Costs**

The finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

**Borrowing**

Interest-bearing loans are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**Other Income Recognition**

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group’s activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group’s activities are met.

**Related Party Transactions**

Homes for Northumberland have adopted the FRS 8 (paragraph 3) exemption for disclosure of related parties as consolidated accounts are prepared by Northumberland County Council.

# 2 Analysis of Turnover and Operating Surplus

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | 2015  £000 | 2014  £000 |
| **Turnover** |  |  |  |  |
| Management fee |  |  | 6,668 | 6,474 |
| Repairs and maintenance |  |  | 4,858 | 4,716 |
|  |  |  |  |  |
|  |  |  | 11,526 | 11,190 |
|  |  |  |  |  |
| **Operating costs**  Management of housing stock |  |  | (6,292) | (6,081) |
| Repairs and maintenance of housing stock |  |  | (10,305) | (6,765) |
| Sheltered units and community houses  Management of integrated care facility |  |  | (322)  (206) | (323)  (72) |
| Procurement unit |  |  | (579) | (586) |
|  |  |  |  |  |
|  |  |  | (17,704) | (13,827) |
|  |  |  |  |  |
| Other operating income (other management fees including Capital programme and other income) |  |  | 7,652 | 3,136 |
|  |  |  |  |  |
|  |  |  |  |  |
| Operating profit/deficit |  |  | 1,474 | 499 |
|  |  |  |  |  |

# Surplus / (Deficit) on Ordinary Activities Before Taxation

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | 2015  £000 | 2014  £000 |
| Surplus on ordinary activities before taxation is stated after charging: |  |  |  |  |
| Depreciation of tangible fixed assets |  |  | 115 | 152 |
| Payments under operating leases |  |  | 471 | 457 |
|  |  |  |  |  |
| Release of deferred income |  |  | (21) | (21) |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Auditor’s remuneration: |  |  |  |  |
| Audit of the financial statements |  |  | 16 | 13 |
| Other services relating to taxation |  |  | 2 | 19 |
|  |  |  |  |  |
|  |  |  | 18 | 32 |
|  |  |  |  |  |

# Remuneration of Directors

The Chair is the only member of the Strategic Board who is remunerated. His remuneration in 2014/15 (£4,002) was paid directly to a charity on his behalf.

The aggregate amount of expenses reimbursed to Board Members in the year was £1,790 (2014: £2,046).

# Employee Information

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | 2015  No. | 2014  No. |
|  |  |  |  |  |
| Supervision and management |  |  | 98 | 99 |
| Repairs and maintenance |  |  | 163 | 118 |
|  |  |  |  |  |
|  |  |  | 261 | 217 |
|  |  |  |  |  |
| The aggregate payroll costs of these persons were as follows: |  |  | **£000** | **£000** |
|  |  |  |  |  |
| Wages and salaries |  |  | 6,082 | 5,062 |
| Social security costs |  |  | 426 | 373 |
| Other pension costs (note 18) |  |  | 1,160 | 950 |
| Past Service Cost (note 18) |  |  | 20 | 20 |
|  |  |  |  |  |
|  |  |  | 7,688 | 6,405 |
|  |  |  |  |  |

# Interest Payable and Similar Charges

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | 2015  £ | 2014  £ |
|  |  |  |  |  |
| Interest on loan from parent undertaking |  |  | 62 | 66 |
|  |  |  |  |  |

# Other Finance (Costs)/Income

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | 2015  £ | 2014  £ |
|  |  |  |  |  |
| Pension – other finance (costs)/income (note 18) |  |  | 300 | 50 |
|  |  |  |  |  |

# 

# Tax on Surplus on Ordinary Activities

The Board considers that the Company’s activities with Northumberland County Council are not 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 the ALMO and its parent, 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 Homes for Northumberland Limited and submitted a report to HMRC. HMRC officers accepted the report in June 2007 on the basis that the Company’s main trading activities with Northumberland County Council were outside the scope of corporation tax.

The Directors have therefore prepared the financial statements on the basis that the Company is only liable to corporation tax on its activities with third parties. This status is reviewed annually.

**Tax on Surplus on Ordinary Activities (continued)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | |  | 2015  £000 | 2014  £000 |
| **Current tax** |  | | |  |  |  |
| Current tax on income for the year |  | | |  | 0 | 0 |
| Adjustments in respect of prior years |  | | |  | 0 | 0 |
|  |  | | |  |  |  |
| **Total current tax** |  | | |  | 0 | 0 |
|  |  | | |  |  |  |
| Deferred tax |  | | |  | 0 | 0 |
|  |  | | |  |  |  |
| Tax on surplus on ordinary activities |  | | |  | 0 | 0 |
|  |  | | |  |  |  |
| **Factors affecting the tax charge for the year** |  | | |  |  |  |
| The tax charge for the year differs from the standard rate of corporation tax in the UK of 21.00% | | |  |  |  |  |
| Surplus/deficit on ordinary activities before tax |  | | |  | 1,712 | 483 |
|  |  | | |  |  |  |
| Tax on surplus/(deficit) at standard UK tax rate 21% (2014: 23%) |  | | |  | 360 | 111 |
|  |  | | |  |  |  |
| **Effects of:** |  | | |  |  |  |
| Income not taxable for tax purposes |  | | |  | (350) | (115) |
| Expenses not deductible for tax purposes |  | | |  | 34 | 0 |
| Capital allowances for period in excess of depreciation | |  | |  | (6) | 3 |
| Movement in short term timing differences |  | | |  | (5) | 18 |
| Adjustments to tax charge in respect of previous years | |  | |  | 0 | 0 |
| Tax losses arising in the year – not recognised |  | | |  | 0 | 0 |
| Utilisation of tax losses |  | | |  | (33) | (17) |
|  |  | | |  |  |  |
| **Total current tax charge/(credit) for the year** |  | | |  | 0 | 0 |
|  |  | | |  |  |  |

**Factors affecting tax charge in future years**

The finance act 2014, which provides for a reduction in the main rate of UK corporation tax to 21% effective from 1 April 2015 and 20% from 1 April 2016, was enacted on 17 July 2014. As this legislation was substantively enacted prior to the balance sheet date the closing deferred tax asset has been revalued at 20% at 31 March 2015.

In the budget of 8 July 2015, the government announced further reductions in the main rate of corporation tax to 19% in 2017 and 18% in 2020. Changes have not been substantively enacted.

The Company has deferred tax assets totalling £1,494,519 (2014: £1,156,326), which relate to tax losses and short term timing differences, that have not been recognised as available to offset against future trading profits.

# Tangible Fixed Assets

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Freehold land and buildings\* | Assets under the course of const’n | Fixtures, fittings, tools and equipment | Software | Total |
|  |  | £000 | £000 | £000 | £000 | £000 |
| **Cost** |  |  |  |  |  |  |
| At 1 April 2014 |  | 2,777 | - | 257 | 233 | 3,267 |
| Additions |  | 26 | - | 12 | 19 | 57 |
| Disposals |  | - | - | 0 | 0 | 0 |
|  |  |  |  |  |  |  |
| At 31 March 2015 |  | 2,803 | - | 269 | 252 | 3,324 |
|  |  |  |  |  |  |  |
| **Depreciation** |  |  | - |  |  |  |
| At 1 April 2014 |  | 129 | - | 100 | 189 | 418 |
| Charge for the year |  | 43 | - | 44 | 28 | 115 |
| On disposals |  | - | - | 0 | 0 | 0 |
|  |  |  |  |  |  |  |
| At 31 March 2015 |  | 172 | - | 144 | 217 | 533 |
|  |  |  |  |  |  |  |
| **Net book value** |  |  |  |  |  |  |
| At 31 March 2015 |  | 2,631 | - | 125 | 35 | 2,791 |
|  |  |  |  |  |  |  |
| At 31 March 2014 |  | 2,648 | - | 157 | 44 | 2,849 |
|  |  |  |  |  |  |  |

\*Freehold land and buildings includes housing properties owned by the Company held for rental in its own name as distinct from the housing stock managed on behalf of Northumberland County Council

**10 Stock**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | 2015  £000 | 2014  £000 |
|  |  |  |  |  |  |
| Consumables |  |  |  | 384 | 253 |
|  |  |  |  |  |  |

# The replacement cost of stocks are not materially different from their carrying value as recorded above.

# 11 Debtors

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | 2015  £000 | 2014  £000 |
|  |  |  |  |  |  |
| Amount owed by Northumberland County Council |  |  |  | 1,994 | 2,586 |
| Other debtors |  |  |  | 217 | 173 |
|  |  |  |  |  |  |
|  |  |  |  | 2,211 | 2,759 |
|  |  |  |  |  |  |

# 12 Cash

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | 2015  £ | 2014  £ |
|  |  |  |  |  |
| Cash |  |  | 1,664 | 0 |
|  |  |  |  |  |

# 13 Creditors: Amounts Falling Due Within One Year

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  | 2015  £000 | 2014  £000 |
|  |  | |  |  |  |  |
| Amount owed to Northumberland County Council  Amounts owed to Building for Northumberland | |  |  |  | 1,114  62 | 1,983  0 |
| Deferred income | |  |  |  | 21 | 21 |
| Taxation and social security | |  |  |  | 497 | 90 |
| Other creditors | |  |  |  | 1,072 | 666 |
|  | |  |  |  |  |  |
|  | |  |  |  | 2,766 | 2,760 |
|  | |  |  |  | \_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_ |
|  | | | | | | |

# 14 Creditors: Amounts Falling Due After More Than One Year

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  | 2015  £000 | 2014  £000 |
|  |  | |  |  |  |  |
| Amount owed to Northumberland County Council | |  |  |  | 1,339 | 1,817 |
| Deferred income | |  |  |  | 1,241 | 1,260 |
|  | |  |  |  | \_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_ |
|  | |  |  |  | 2,580 | 3,077 |
|  | |  |  |  | \_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_ |

Amounts owed to Northumberland County Council include £15,727 (2014: £15,051) due within one year and £1,339,454 (2014: £1,355,182) due after one year , subject to interest at 4.5% p.a, repayable over 40 years to 2051.

**14 Creditors Amounts Falling Due After More Than One Year (continued)**

In addition, balances include a £1,386,417 loan to cover redundancy costs advanced in 2012/13 by Northumberland County Council. This was agreed on an interest free basis over 3 years. Due within one year £462,139 (2014: £ 462,139) and zero (2014: £462,139) due after one year.

The loans fall due as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  | 2015  £000 | 2014  £000 |
| Amounts falling due: | |  |  |  |  |  |
| Within one year | |  |  |  | 478 | 477 |
| One to two years | |  |  |  | 16 | 478 |
| Two to five years | |  |  |  | 54 | 52 |
| Beyond 5 years | |  |  |  | 1,269 | 1,288 |
|  | |  |  |  |  |  |
|  | |  |  |  | 1,817 | 2,295 |

# 15 Called up Share Capital

The Company does not have called-up share capital as it is limited by guarantee of £1 per member. Membership at March 2015 was 1 (2014:1)

# 16 Reserves

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | Income and Expenditure Account Excluding Pension costs  £000 | Net Pension liability  £000 | Total reserves  £0000 |
|  |  | |  |  |  |  |
| At beginning of year | |  |  | 24 | (5,200) | (5,176) |
| Retained surplus for the year | |  |  | 1,682 | 30 | 1,712 |
| Actuarial loss recognised in the pension scheme | |  |  | 0 | (1,910) | (1,910) |
|  | |  |  |  |  |  |
|  | |  |  | 1,706 | (7,080) | (5,374) |
|  | |  |  |  |  |  |

# 17 Reconciliation of Movements in Shareholders’ Funds

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  | 2015  £000 | 2014  £000 |
|  |  | |  |  |  |  |
| Surplus for the financial year | |  |  |  | 1,712 | 483 |
| Actuarial (losses)/gains recognised in the pension scheme | |  |  |  | (1,910) | 3,270 |
|  | |  |  |  |  |  |
| Net (decrease)/increase in shareholders’ funds | |  |  |  | (198) | 3,753 |
| Opening shareholders’ deficit | |  |  |  | (5,176) | (8,929) |
|  | |  |  |  |  |  |
| Closing shareholders’ deficit | |  |  |  | (5,374) | (5,176) |
|  | |  |  |  |  |  |

# 18 Pension Schemes

The Company participates as an admitted body in a Local Government Pension Scheme, Northumberland County Council Pension Fund, which is administered by Northumberland County 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 2013 and was updated for FRS17 purposes to 31 March 2015 by Aon Hewitt 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 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.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  | 31 March 2015  £000 | 31 March 2014  £000 |
|  |  | |  |  |  |  |
| Present value of funded defined benefit obligations | |  |  |  | (35,910) | (30,020) |
| Fair value of plan assets | |  |  |  | 28,830 | 24,820 |
|  | |  |  |  |  |  |
| Scheme deficit | |  |  |  | (7,080) | (5,200) |
|  | |  |  |  |  |  |
| Net liability | |  |  |  | (7,080) | (5,200) |
|  | |  |  |  |  |  |

**18 Pension Schemes (continued)**

**Movements in present value of defined benefit obligations**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | | | |  |  | 2015  £000 | 2014  £000 |
|  |  | | | | |  |  |  |  |
| At 1 April | |  | | | |  |  | (30,020) | (32,110) |
|  | |  | | | |  |  |  |  |
| Current service cost | |  | | | |  |  | (1,160) | (950) |
| Interest cost | |  | | | |  |  | (1,310) | (1,500) |
| Actuarial losses/gains | |  | | | |  |  | (3,350) | 4,520 |
| Contributions by members | |  | | | |  |  | (360) | (260) |
| Benefits paid | |  | | | |  |  | 310 | 300 |
| Past service cost | |  | | | |  |  | (20) | (20) |
| Settlements | |  | | | |  |  | 0 | 0 |
|  | |  | | | |  |  |  |  |
| At 31 March | |  | | | |  |  | (35,910) | (30,020) |
|  | |  | | | |  |  |  |  |
| **Movements in fair value of plan assets** | | |  | | |  |  |  |  |
| At 1 April | |  | | | |  |  | 24,820 | 23,720 |
| Expected return on plan assets | |  | | | |  |  | 1,610 | 1,550 |
| Actuarial losses | |  | | | |  |  | 1,440 | (1,250) |
| Contributions by employer | |  | | | |  |  | 910 | 840 |
| Contributions by members | |  | | | |  |  | 360 | 260 |
| Benefits paid | |  | | | |  |  | (310) | (300) |
| Settlements | |  | | | |  |  | 0 | 0 |
|  | |  | | | |  |  |  |  |
| At 31 March | |  | | | |  |  | 28,830 | 24,820 |
|  | |  | | | |  |  |  |  |
| **Expense/(income) recognised in the profit and loss account** | | | |  | |  |  |  |  |
| Current service cost | |  | | | |  |  | 1,160 | 950 |
| Past service cost | |  | | | |  |  | 20 | 20 |
| Interest cost | |  | | | |  |  | 1,310 | 1,500 |
| Expected return on defined benefit pension plan assets | | | |  | |  |  | (1,610) | (1,550) |
| Net settlement cost | |  | | | |  |  | 0 | 0 |
|  | |  | | | |  |  |  |  |
| At 31 March | |  | | | |  |  | 880 | 920 |
|  | |  | | | |  |  |  |  |
| **The expense/(income) is recognised in the following line items in the profit and loss account** | | | | |  |  |  |  |  |
| Operating costs | |  | | | |  |  | 1,180 | 970 |
| Other finance costs/income | |  | | | |  |  | (300) | (50) |
|  | |  | | | |  |  |  |  |

The total amount recognised in the statement of total recognised gains and losses is a loss of £1,910,000 (2014: £3,270,000 gain).

**18 Pension Schemes (continued)**

**Movement in Present Value of Defined Benefit Obligations (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:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  | 2015  Fair value  £000 | 2014  Fair value  £000 |
|  |  | |  |  |  |  |
| Equities | |  |  |  | 19,604 | 16,853 |
| Gilts | |  |  |  | 5,045 | 4,244 |
| Bonds | |  |  |  | 2,537 | 2,358 |
| Property | |  |  |  | 1,269 | 1,092 |
| Cash | |  |  |  | 29 | 0 |
| Other | |  |  |  | 346 | 273 |
|  | |  |  |  |  |  |
|  | |  |  |  | 28,830 | 24,820 |
|  | |  |  |  |  |  |
| Actual return on plan assets | |  |  |  | 3,050 | 300 |
|  | |  |  |  |  |  |

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:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | |  |  | 2015 | 2014 |
|  |  | | |  |  |  |  |
| Discount rate applied to scheme liabilities | | |  |  |  | 3.3% | 4.3% |
| Future salary increase | | |  |  |  | 3.4% | 3.9% |
| Rate of increases in pensions in payment | | |  |  |  | 1.9% | 2.4% |
| Rate of interest deferred pensions  Pension accounts evaluation rate | | |  |  |  | 1.9%  1.9% | 2.4%  n/a |
| Inflation increase | | |  |  |  |  |  |
| * RPI | | |  |  |  | 3.0% | 3.4% |
| * CPI | | |  |  |  | 1.9% | 2.4% |
|  | |  | |  |  |  |  |
| **Valuation Assumptions** | | |  |  |  |  |  |
|  | | |  |  |  |  |  |
| Expected return on assets: | | |  |  |  |  |  |
| Equities | | |  |  |  | 7.6% | 7.6% |
| Government bonds | | |  |  |  | 3.4% | 3.4% |
| Corporate bonds | | |  |  |  | 4.0% | 4.0% |
| Property | | |  |  |  | 6.9% | 6.9% |
| Cash | | |  |  |  | 0.9% | 0.9% |

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):

**18 Pension Schemes (continued)**

**Movement in Present Value of Defined Benefit Obligations (continued)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | Males | | Females | |
|  |  | | 2015 | 2014 | 2015 | 2014 |
|  |  | |  |  |  |  |
| Retiring today | |  | 23.0 | 22.9 | 25.5 | 25.4 |
| Retiring in 20 years | |  | 25.2 | 25.1 | 27.8 | 27.7 |

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 years is as follows:

**Balance sheet**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 31 March  2015  £000 | | 31 March  2014  £000 | 31 March  2013  £000 | 31 March  2012  £000 | 31 March  2011  £000 |
|  |  | |  |  |  |  |
| Present value of scheme liabilities | | (35,910) | (30,020) | (32,110) | (27,990) | (24,350) |
| Fair values of scheme assets | | 28,830 | 24,820 | 23,720 | 19,620 | 18,290 |
|  | |  |  |  |  |  |
| Deficit | | (7,080) | (5,200) | (8,390) | (8,370) | (6,060) |
|  | |  |  |  |  |  |
| **Experience adjustments** | |  |  |  |  |  |
|  | |  |  |  |  |  |
| Experience adjustments on scheme assets | | 1,440 | (1,250) | 1,460 | (420) | (780) |
| Experience adjustments on scheme liabilities | | 120 | 1,970 | 20 | (70) | 2,930 |
|  | |  |  |  |  |  |

The Company expects to contribute approximately £930,000 to its defined benefit plan in the next financial year.

# 19 Related Parties and Ultimate Parent Undertaking

The Company is a subsidiary undertaking of Northumberland County Council which is considered to be the ultimate parent undertaking.

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

The four directors who are the Tenant Representatives listed on page 7 are tenants of properties managed by the Company. Their tenancies are on normal standard terms and they are not able to use their position on the Board to their advantage.

There are both members of Northumberland County Council and senior staff from the council represented on the strategic board of Homes for Northumberland. These individuals therefore have an element of influence over both Northumberland County Council and Homes for Northumberland’s operations.

One of Homes for Northumberland’s executive directors is a non-executive director of North East Procurement Ltd (NEP), a not-for-profit organisation benefitting procurement in the North East Social Housing sector, of which Homes for Northumberland is a member. Homes for Northumberland procures goods and services extensively through NEP to take advantage of beneficial rates from suppliers. NEP takes an element of the price charged for goods and services before passing on the final price to Homes for Northumberland. Homes for Northumberland does not make any direct payments to NEP.

**19 Related Parties and Ultimate Parent Undertaking (continued)**

There are a number of Board Members, employees, apprentices and family members of employees who are Homes for Northumberland tenants. This is actively encouraged by Homes for Northumberland to engage and employ the community that we serve. There is no favourable treatment towards these tenants and their families, as our processes are set and followed consistently for every tenant.

# 20 Operating Leases

The Company has entered into operating leases for the provision of the vehicle fleet and use of the Civic Centre. The payments due in the next 12 months under these leases are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | 2015  Buildings  £000 | 2015  Plant and Equipment  £000 | 2015  Total  £000 | 2014  Total  £000 |
| **Leases expiring in:** | |  |  |  |  |  |
|  | |  |  |  |  |  |
| One year | |  | 0 | 311 | 311 | 4 |
| Two to five years | |  | 9 | 43 | 52 | 354 |
| Beyond five years | |  | 99 | 0 | 99 | 99 |
|  | |  |  |  |  |  |
|  | |  | 108 | 354 | 462 | 457 |
|  | |  |  |  |  |  |

# Capital Commitments

The Company had no capital commitments at 31 March 2015 (2014: £nil).

# Transactions as Agent

The Company acts as agent on behalf of Northumberland County Council in respect of certain elements of the capital programme spend. The gross value of services provided in relation to the capital programme in the year are

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  | 2015  £000 | 2014  £000 |
| Costs incurred | |  |  |  | (7,301) | (6,817) |
| Costs reclaimed from Northumberland County Council | | | |  | 7,867 | 7,342 |
|  | |  |  |  |  |  |
| Turnover declared in the Profit and Loss Account | |  |  |  | 566 | 525 |
|  | |  |  |  |  |  |

# Subsidiary Undertakings

During 2014 the Company created three subsidiary undertakings all of whom are registered at the registered address of the Company. The subsidiary undertakings are,

Name Registered Number

Action for Northumberland Ltd 08668749

Building for Northumberland Ltd 08668889

Caring for Northumberland Ltd 08668782

Two of the subsidiary undertakings did not trade during the year and have remained dormant since incorporation. These (Action for Northumberland Ltd and Caring for Northumberland Ltd) are in the process of being struck off at Companies House. In these cases the aggregate amount of capital and reserves £nil and, as none have traded in the year, the profit or loss for the year is also £nil.

**23 Subsidiary Undertakings (continued)**

Building for Northumberland became a registered provider of social housing in 2014/15 and is in the process of building houses. However, the volume of financial activity in this subsidiary in 2014/15 was insignificant. Homes for Northumberland Limited has elected not to prepare group financial statements in respect of this undertaking in accordance with s405 of the Companies Act 2006 as it is not material to present a true and fair view of performance.

Homes for Northumberland Limited is the sole member of each of these subsidiary undertakings each of which are companies limited by guarantee.

# 24 Post Balance Sheet Events

In June 2015 Northumberland County Council announced that it would take back the delivery of housing management from 1 September 2015. The Council propose to transfer all of Homes for Northumberland Limited’s staff at that date on a TUPE basis into the Council. Homes for Northumberland Limited will continue to operate after this date but only as a vehicle to hold the 22 properties in Allendale.

There were no other balance sheet events requiring adjustment to the financial statements or disclosure as non adjusting events

# 25 Prior Year Adjustments

There are no prior year adjustments required to the financial statements.