

Blyth Valley Housing Limited
(Limited Company by Guarantee)

Directors' report and financial
statements

Registered number 4375380

31 March 2008

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Company information

Directors

Cllr Priscilla Isles	(retired 10 May 2007)	Council Member
Cllr George Milburn		Council Member
Cllr Margaret Rochester		Council Member
Cllr Jeffrey Reid		Council Member
Cllr Robert Cole		Council Member
Cllr John Ferry	(retired 10 May 2007)	Council Member
Cllr Ian Ayres	(appointed 10 May 2007)	Council Member
Cllr Alisdair Gibbs Barton	(appointed 10 May 2007)	Council Member
Cllr Leslie Belcher Smith		Council Member

Mohamed Gadema		Tenant Board Member
Maureen McAvoy		Tenant Board Member
Robert Bertram		Tenant Board Member
Bob Ridge		Tenant Board Member
Ralph Young	(appointed 5 August 2007)	Tenant Board Member

Eric Richards		Independent Board Member
Trevor Walker	(retired 10 October 2007)	Independent Board Member
Lesley Matthews	Chair	Independent Board Member
Keith Bedford	(appointed 13 December 2007)	Independent Board Member

Secretary

Mr I Conway	(retired 10 October 2007)
Mr A Hepple	(appointed 11 October 2007)

Auditors

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

Senior Management

Ray Boycott	- Managing Director
Allan Hepple	- Director of Housing Management
Paul Mains	- Director of Housing Maintenance

Solicitors

Ward Hadaway
Sandgate House
Quayside
Newcastle upon Tyne
NE1 3DX

Registered office

Dinsdale House
75 Marine Terrace
Blyth
NE24 2LN

Bankers

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

Registered number

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

Directors' report

Chair's Report 2007/08

I'm proud to present the sixth annual report for Blyth Valley Housing.

This year has been a challenging one for the Housing Company and I am pleased to report that we have still achieved continued improvements in performance and customer satisfaction.

During the year we were saddened by the loss of Les Smith, one of our Board Directors. Les was a larger than life character and played an active role in the success of the Housing Company. Les was dedicated to improving the housing service and helping people less fortunate than himself. He made a real difference to housing in Blyth Valley and will be fondly remembered by all who knew him.

This year marked the end of our original 5 year business plan. In this time we have achieved the twin aims of improving services to our tenants and improving properties to achieve the Decent Homes Standard. We were rewarded with a 15 year management contract in acknowledgement of this enabling the Housing Company to develop longer term plans for the future.

The Housing Company's original director, Ian Conway, left during the year to further his career and we wish him every success. Ray Boycott, our new managing director, was appointed in February 2008 and I am confident he will lead the Housing Company to even greater success.

The Housing Company is at an exciting time in its development and we have already started setting out our strategic priorities for the future.

The granting of a new 15 year contract ensures that we will be able to deliver real benefits to our customers and support the new unitary council to achieve its strategic objectives.

I would like to offer my personal thanks to all those who have played a part in the success of Blyth Valley Housing including my colleagues on the Board, our staff, partners and customers. I would particularly like to acknowledge the support we have received during the last six years from Blyth Valley Borough Council.

Lesley Matthews
Chair of the Board

Directors' report *(continued)*

The directors present their directors' report and financial statements for the year ended 31 March 2008.

Company information

Blyth Valley Housing Limited is an Arms Length Management Organisation (ALMO). It was established under round 2 of the Government's Arms Length Housing Management programme. It was incorporated on 15 February 2002 and commenced its operations on 1 April 2002.

Legal status

Blyth Valley Housing is a company limited by Guarantee.

It is owned by Blyth Valley Borough Council and is a separate legal entity. There is a limited liability on the members 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 the members. Any operational surpluses are used by the company to support the services it provides.

Financial result

The financial result for the year was a surplus of £298,000.

Principal risks and uncertainties

On 25th July 2008, the Government announced their decision to create a single unitary authority for Northumberland. It is proposed that the new unitary authority will be fully up and running in 2009, at which point Blyth Valley Borough Council will cease to exist. Blyth Valley Housing are actively involved in advising the new unitary council on the most effective way to manage the councils housing stock within the county area.

Management agreement

The Company has a 15 year management agreement in place with Blyth Valley Borough Council until 31 March 2022.

Registered number

The Company is registered under the Company's Act 1985, registered number 4375380.

Board of Directors

The company is overseen by a Board of 15 directors made up from three constituency groups. 7 directors are nominated by the Council, 5 directors are tenants selected by tenants and 3 independent directors are selected on the basis of their skills and experience.

A register of member's interests is maintained. All 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.

Directors' report *(continued)*

Celebrating our achievements

As we look back on another successful year we highlight some of our key achievements.

Governance

The Board meets every six weeks.

The company has established a series of subsidiary panels to scrutinise policy, services and performance in greater detail.

The Finance and Audit Panel monitors the financial health and risk management arrangements of the company. Financial and Risk implications are highlighted within the Board reports.

Effective internal audit arrangements based upon an assessment of risk are in place. A three year audit programme is set and reviewed against an annual plan.

KPMG LLP undertakes an external audit of the Company's financial statements.

All internal and external audit reports are reviewed by the Finance and Audit Panel.

The Council approves the annual delivery plan and monitors progress throughout the year. In December 2007 the Council agreed to a 15 year management agreement contract from 1 April 2007 to 31 March 2022. Amendments to the Articles of Association and Memorandum of Association were made at the same time.

Developing and valuing our staff

During the year we employed the services of a full-time Learning & Development Officer to ensure we develop our staff and take full advantage of the external funding which is available to us. This individual will not only concentrate on the short term and immediate development needs of our staff but will work with managers to ensure all staff are given every opportunity to develop to their full potential and the future needs of the business are addressed.

All managers have worked with staff to produce Personal Development Plans for the year ahead.

Over the past year we have implemented the following:

- The Management Academy has continued this year with all managers and supervisors of people receiving performance management training. The Management Academy will continue with more soft skills for managers over the coming year.
- All female staff were invited to a taster session of a pilot of "Butterfly", which looked at helping women achieve their full potential within the working environment and help them move up the career ladder. There were over 12 women who attended this course.
- Manual handling training sessions were carried out for all Craftworkers to ensure no one was putting themselves at risk in their day to day working lives, with regards to carrying or moving heavy or large objects.
- All staff attended Customer Services (Complaints handling) training courses. This helped staff understand the process behind dealing with a complaint and the steps they need to take when receiving a complaint for a customer.
- The Staff Conference was held at the end of October 2007, and we invited Carol Barwick Associates to attend to run workshops, as well as conducting Investors In People and Preparation for Peer Review briefing sessions. Plans are already underway to prepare for the next Staff Conference.

Directors' report *(continued)*

The company was shortlisted for the Learning & Skills Council "Employer of the Year" Awards for employers with 50-249 employees.

Arrangements have been put in place to give staff subsidised gym membership with Blyth Valley Arts and Leisure. The pilot initially ran for 6 months and the Board agreed to extend this for an additional six months, as it was felt that this was a benefit to staff and not only could it potentially influence the sickness figures but complemented our Healthy Business Awards.

Sickness figures have dropped again this year with a saving of £40,000 compared to the same period in the last financial year. With compulsory Return to Work Interviews for all periods of sick and regular contact with staff when they are absent from work, this has contributed to the reduction in absence figures.

Health and safety

Health & Safety in Blyth Valley Housing Company is a fundamental part of the Risk Management Strategy, which aims to identify and manage risks to the Housing Company and its services to customers, public and staff.

The Board has a health and safety champion and the Director of Housing Maintenance acts as Health and Safety Champion at an operational level.

The company has several trained health and safety representatives, fire wardens, health advocates and first aiders across the two company sites.

The company is a member of the joint safety working group which also includes representatives from the Council and Blyth Valley Arts and Leisure. The joint safety working group meets on a regular basis to monitor and review health and safety arrangements in the workplace.

The number of reportable accidents/incidents under the RIDDOR Regulations has increased from nil to one, albeit this is disappointing from last years performance it demonstrates that the safety culture of all staff remains at a very high level.

There has been a small reduction in the number of first aid accidents reported over the year, this is encouraging and demonstrates the increased level of health and safety training and awareness that all staff have received.

During the year a number of initiatives have been undertaken to improve the health and safety of all staff including:

- Implementation of Occupational Health on Vibration
- Joint Site visits by Safety Officer and Management
- Regular communication between management and BVBC Safety Team
- Manual Handling Training, Training for Managers
- CSCS Training and examinations
- Fire Warden Training & Development
- Frontline Safety Meetings & Discussions
- First Aid at Work
- Vibration Equipment Inspection

Directors' report *(continued)*

BUSINESS REVIEW AND PERFORMANCE OF THE YEAR

Efficiency and value for money

The Annual Efficiency Statement targeted cashable and non-cashable efficiency savings of £185,400 from capital expenditure and £478,750 from management and maintenance expenditure in 2007/08.

Equality and diversity

We were successful in receiving an award in the North East Equality Awards in the category of 'Employers between 51 and 250 staff'.

Extensive work has taken place to update the customer profile, which has enabled effective monitoring of the services we provide to ensure that our services are accessible to all sections of the community and delivered without discrimination.

We have introduced a Diversity Service Panel to find out the views of our customers and ensure that our services meet the needs of all customers.

Customer care

We continue to develop and improve our services in consultation and with the involvement of customers. The Board has established a Customer Service Panel which monitors and reviews customer feedback, customer satisfaction and customer complaints.

During the year we established service specific customer panels and all major services have a customer service panel in operation. The panels meet quarterly and provide a mechanism for customer consultation and influence for services, policies and strategies. Outcomes are reported to the Customer Services Panel.

We continue to receive high levels of customer satisfaction in services. In 2007 we achieved a tenant satisfaction rating with our landlord services of 88% which placed us joint 8th in the country for tenant satisfaction.

Lettings

In line with customer requirements and the review by De-Montford University that took place in 2006/7 and a full review of the allocations policy a number of improvements were made to the service to improve service access;

- Amended policy consulted on with customers and implemented
- Procurement of new Homefinder website
- Introduction of 24 hour automated telephone and text bidding
- Online mutual exchange register introduced
- Lead authority for the introduction of regional choice based lettings
- Good 2 Star Service' assessment from the Peer Review

Directors' report *(continued)*

Repairs service

Following the reviews of key areas of the Repairs and Maintenance service a series of service improvements were introduced during the year.

- The first phase of Mobile Working was introduced, supported by the fleet of impressed stock vans;
- Multi-skilling of the Repairs Service workforce was introduced on target following delivery of a comprehensive training programme;
- A new improved 'voids standard' was formally agreed and introduced following extensive consultation with service users;
- A new reward scheme was introduced for tenants who gave early notice of termination of tenancy and allowed access for a 'pre-void' inspection and for minor repairs to be carried out;
- A new Gas Service incentive scheme was introduced to promote gas safety and first time access reducing costly abortive time for the service;
- Introduction of appointments system for external works;
- Introduction of two initiatives to support customers [i] provision of wireless flashing doorbells for customers who have hearing impairments and [ii] provision of magnifiers to customers with visual impairments;
- Completion of all Equality Impact Assessments for the repairs and maintenance service.

These service improvements were underpinned by user involvement in a range of Service Panels that have been established and began to meet regularly.

Home improvements

2007/8 was a transition year for the programme following the successful completion of the Housing Company's 5 year Better Homes – Brighter Future Programme. Key areas of progress were:

- A new 5 Year Programme of Improvements was agreed following extensive consultation;
- A major procurement exercise was undertaken through the European Union's 'OJEU Process' to secure partners to deliver the programme to 2012. Four construction partners were appointed as follows:
 - Renvac Scaffolding Limited
 - Sekura Trade Frames Limited
 - Pringle Building Services Limited
 - Frank Haslam Milan
- The company joined the NE Procurement Consortium to assess the benefits likely from increased purchasing power through the supply chain;
- Completion of the following physical improvements and schemes :-
 - 85 replacement kitchens and bathrooms
 - 24 properties had electrical rewiring
 - 49 energy efficient boilers were installed
 - 25 UPVC window and door replacements
 - 205 properties received brickwork repairs consisting lintels, wall ties or repointing
 - 313 flat roofs replaced, including improved insulation
 - 233 received top up loft insulation with support from Northumberland Warmzone

Directors' report *(continued)*

Home improvements *(continued)*

Completion of Myton redevelopment to 43 properties at Seaton Sluice.

Completion of 'SHIP' supported housing, creating 6 two bedroom houses, 4 two bedroom flats and 2 one bedroom flats at Edendale & Greenside Houses, Cowpen.

Completion of Croft Park Football Club supporters stands.

One of our partner contractors, Frank Haslam Milan, won a silver Considerate Constructors Scheme award for Hodgsons Road Estate, Blyth.

Estate and Tenancy Management

- We completed the programme of garage tenancy reviews which resulted in a number of illegally occupied garages being re-let to customers on the waiting list
- Continued with our programme of home tenancy reviews with an increased focus on the support needs of customers
- Introduced a garden tool loan scheme
- Received a good judgement of the service in the peer review inspection
- We arranged a high profile estate event for the residents of the Isabella area of Blyth.

Rent collection and arrears management

- New Housing Income Management Strategy introduced with greater emphasis on arrears prevention
- Excellent year end performance with a near 20% reduction in current tenant rent arrears during the financial year.
- Appointed a Financial Inclusion Manager and initiated a range of practical support to address the financial inclusion agenda
- We ran an incentive scheme for tenants maintaining a clear rent account at the year end which contributed to a reduced number of tenants in arrears

Involving residents

Resident involvement is seen as the key to delivering services in harmony with customer requirements. Managerial changes within the resident participation unit impaired progress with a service review but the service has had some notable successes including:

- Involvement of residents in prioritising environmental improvements.
- The establishment of a reader's panel in the design and production of Housing News, our tenant's newsletter.
- Establishment and development of the "Green Fingers" gardening programme for residents which achieved a Tenant Participation Advisory Service Good Practice Award.
- Being chosen as a pilot organisation for the Active Learning for Residents project by the CIH.
- The establishment and delivery of a tenants training and development programme.
- The introduction of annual health checks for all tenants organisations.

Directors' report *(continued)*

Homelessness and Housing Advice

In line with the 2002 Housing Act and the governments Housing Advice agenda we have introduced a new Housing Advice Service. This has seen a number of improvements to the service:

- Numbers of homeless applicants accepted as statutory homeless has reduced from 72 in 06/07 to 42 in 07/08.
- 71% reduction in homeless acceptances.
- Introduced a new Housing Advice team in September 2008
- 108 preventions through the Housing Advice team.
- Protocol with Places for People for tenants who are facing eviction - so they have an appointment with the Homeless Officer for advice and assistance if we can stop it going ahead.
- DVD produced for an education program to take into the schools and educate young people.
- Worked with Blyth Valley Council to convert 2 blocks of flats in Cowpen providing additional 12 units of temp accommodation with on site support from Stonham.
- Rent deposit Scheme managed by Centrepoint has been introduced
- SLA with Housing Benefits for fast tracking claims and use of discretionary payments to potentially homeless
- SLA with CAB and access to specialist Shelter advice

Performance

Blyth Valley Housing is committed to maintaining high performance for its customers. We measure ourselves against a range of indicators and compare ourselves nationally with other ALMO's.

Listed below are the results and how we compare.

Key:

<i>ALMO comparison</i>	
1	<i>Top quartile</i>
2	<i>Upper middle</i>
3	<i>Lower middle</i>
4	<i>Bottom quartile</i>

Directors' report *(continued)*

Measure	Is higher or lower better?	Last years performance 2006/2007	This year's performance 2007/2008	ALMO top quartile	ALMO comparison
Proportion of rent collected (BV 66a)	H	98.73	99.15	98.50	1
Proportion of rent collected (excluding rent arrears)	H	100.65	100.77	100.40	1
Percentage of tenants with more than 7 weeks rent arrears (BV 66b)	L	3.4	2.67	3.90	1
Percentage rent arrears of current tenants	L	1.7	1.31	1.61	1
Percentage of rent loss through vacant dwellings	L	0.64	0.63	1.11	1
The number of working days lost to sickness absence (BV 12)	L	13.00	11.75	9.12	3
Average time to relet housing (BV 212)	L	25.2	27.92	25.00	2
Percentage of tenants served with a NOSP for rent arrears (BV 66c)	L	29.64	30.65	16.04	3
Percentage of tenants evicted for rent arrears (BV 66d)	L	0.31	0.24	0.23	2
Percentage of responsive repairs where an appointment was made and kept	H	96.97	96.58	97.77	2
Average time taken to complete non urgent repairs	L	12.02	9.82	8.10	3
Percentage of urgent repairs completed within government time limits	H	99.16	98.00	98.74	2
Percentage of emergency repairs completed on time	H	99.25	97.20	98.66	2
Percentage of urgent repairs completed on time	H	98.28	98.09	98.40	2
Percentage of routine repairs completed on time	H	97.74	98.89	97.44	1

Directors' report *(continued)*

Customer Satisfaction

Blyth Valley Housing has a commitment to customer satisfaction. To ensure that our customers are receiving a good service we carry out a rolling satisfaction survey. This satisfaction survey is known as VMS and the results of this are detailed below.

Measure	Is higher or lower better?	Last years performance 2006/2007	Performance this year 2007/2008	Target 2007/2008
New Tenant Services	H	7.8	7.44	8
Out of Hour Repairs	H	9.06	8.93	9
Repairs & Maintenance	H	8.85	8.74	9
Gas Safety Service	H	9.06	8.96	9
Decoration Voucher Scheme	H	8.05	8.71	8
Complaints	H	7.29	7.83	8
Caretaking Service	H	6.95	7.13	8
Homefinder Services	H	7.97	7.55	8.5
Homeless Service	H	6.3	6.63	7.5
Housing Advice	H	New survey	7.01	8.5
Resident Involvement	H	New survey	8.15	8
Income Management	H	New survey	8.75	8
Estate Management	H	8.53	7.59	8.0

Directors' report *(continued)*

Future plans

The Government is currently reviewing the future financing of the Council housing and access to Social Housing Grant is now available to 2 and 3 star ALMO's.

The new unitary council will come into force from April 2009 and will inevitably have its own views on social housing within the county.

We have been given the responsibility of a 15 year contract and we must position ourselves to meet new challenges, take advantage of new opportunities and continue to deliver excellent services.

Clear direction and strong leadership will be required from the Board and Executive to achieve the enthusiasm, drive and commitment from everyone in the company.

The Housing Company has started to review its corporate purpose and strategic direction to respond to the changing operating environment.

High level priorities for the next 5 years include: -

- Achieving 3 stars, delivering the best possible housing service and being a model for others
- Achieve upper quartile performance in all major key performance indicators
- Sound and ethical governance
- Improved value for money and financial stability
- To be innovative and adaptable to changing circumstances
- To develop energy efficient new homes
- To deliver wider neighbourhood management
- To develop and support wider quality of life initiatives to achieve sustainable communities
- To provide wider resident involvement and give tenants more control over their homes
- Diversification to generate income for wider social objectives.

Directors' report *(continued)*

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.

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

17 September 2008

Statement on internal control

This statement is given in respect of the annual report and accounts for Blyth Valley Housing Limited. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

The system of internal control is designed to manage risk in order to assist the Company in achieving its objectives. It exists to provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Finance and Audit Panel set up during the 2004/05 financial year have established a regular cycle of quarterly meetings. During this financial year they have considered the following:

- Quarterly budget monitoring reports;
- Updated position regarding corporation tax status;
- Annual efficiency statement;
- Updates and review of the strategic risk register;
- Variation to the management fee;
- The work plan set out by Internal Audit;
- ISO 9001 quality system audits by SGS Yarsley;
- Presentation by KPMG of the 2006/07 year end audit findings;
- Various internal audit reports as mentioned below;
- Review of the VFM strategy and improvement actions.

The system of internal control is subject to continuous review and improvement. The Company reviews the effectiveness of this through the work of managers and staff within the Company and the Council, the annual management letter received from the external auditors and, in particular, the work of internal audit.

The Company procures internal audit services from Blyth Valley Borough Council. The Company has a responsibility to carry out an adequate internal audit of its financial and non-financial systems. The work of internal audit is based on a risk assessment and complies with the CIPFA code of practice for internal audit. The Council's Chief Internal Auditor reports the results of internal audit work to the Finance & Audit Panel and Senior Management Team.

The audits carried out specifically in relation to the company during the financial year were as follows:

- Debit control;
- Housing rents, and
- Leaseholder service charges.

In addition the following audits were carried out in relation to both the company and council systems:

- Sundry debtors;
- Creditors;
- VAT and,
- Cash receipting and cash collection.

Statement of internal control *(continued)*

Each of these audits contained a number of recommendations for improvement which, in the majority of cases were implemented by the company subsequently.

Overall, we regard our system of internal control adequate, however, where weaknesses have been identified, corrective action is being undertaken to further develop systems and address any areas of concern.

R Boycott
Managing Director

17 September 2008

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

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

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

We have audited the financial statements of Blyth Valley Housing Limited for the year ended 31 March 2008 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 16.

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 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 2008 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

17 September 2008

Income and expenditure account
for the year ended 31 March 2008

	<i>Note</i>	2008	2007
		£000	£000
Turnover	2	8,739	8,335
Operating costs	2	(9,799)	(9,221)
		<hr/>	<hr/>
Other operating income	2	(1,060)	(886)
		1,283	1,246
		<hr/>	<hr/>
Operating surplus		223	360
Interest receivable and other income	6	100	50
Other finance costs	7,19	(10)	(30)
		<hr/>	<hr/>
Surplus on ordinary activities before taxation	3	313	380
Tax on surplus from ordinary activities	8	(15)	16
		<hr/>	<hr/>
Surplus for the year	17	298	396
Revenue reserves brought forward	17	909	513
		<hr/>	<hr/>
Revenue reserves carried forward	17	1,207	909
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

The notes on pages 23 to 34 form part of these financial statements.

Balance sheet
at 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Fixed assets			
Tangible assets	9	209	46
		<hr/>	<hr/>
Current assets			
Stocks	10	246	225
Debtors	11	257	185
Cash at bank and in hand		1,522	1,350
		<hr/>	<hr/>
Creditors: amounts falling due within one year	12	2,025 (697)	1,760 (793)
		<hr/>	<hr/>
Net current assets		1,328	967
		<hr/>	<hr/>
Total assets less current liabilities		1,537	1,013
Provisions for liabilities and charges	13	-	6
		<hr/>	<hr/>
Net assets excluding pension liabilities		1,537	1,019
Pension liabilities	19		
Total of defined benefit schemes:			
With net liabilities		(2,590)	(3,440)
		<hr/>	<hr/>
Net (liabilities)/assets including pension liability		(1,053)	(2,421)
		<hr/>	<hr/>
Capital and reserves			
Profit and loss account	17	(1,053)	(2,421)
		<hr/>	<hr/>
		(1,053)	(2,421)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 17 September 2008 and were signed on its behalf by:

Lesley Mathews
Chair

Ray Boycott
Managing Director

Cash flow statement
for the year ended 31 March 2008

	<i>Note</i>	2008	2007
		£000	£000
Cash flow from operating activities	<i>14</i>	265	544
Interest received		100	50
Net cashflow from returns on investment and servicing of finance		100	50
Taxation		-	22
Capital expenditure		365	616
Purchase of tangible fixed assets		(193)	(8)
Increase in cash	<i>15</i>	172	608

Statement of total recognised surpluses and deficits
for the year ended 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Surplus for the financial year		298	396
Actuarial gain recognised in the pension scheme	<i>19</i>	1,070	380
Effect of derecognition from Blyth Valley Borough Council of responsibility for pension liability		-	(3,710)
Total recognised surpluses/(deficits) recognised since the last annual report		1,368	(2,934)

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.

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 current contract between Blyth Valley Borough Council and the company ends on 31 March 2022.

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.

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.

Notes (continued)

1 Accounting policies (continued)

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.

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.

Notes (continued)

2 Analysis of turnover and operating surplus

	2008	2007
	£000	£000
Turnover		
Management fee	3,953	4,385
Repairs and maintenance	4,786	3,950
	<u>8,739</u>	<u>8,335</u>
Operating costs		
Management of housing stock	(4,178)	(4,228)
Repairs and maintenance of housing stock	(4,851)	(4,162)
Sheltered units and community houses	(277)	(193)
Procurement unit	(493)	(638)
	<u>(9,799)</u>	<u>(9,221)</u>
Other operating income (other management fees including capital programme and other income)	1,283	1,246
Operating surplus	<u>223</u>	<u>360</u>

3 Surplus on ordinary activities before taxation

	2008	2007
	£000	£000
The surplus on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	30	12
Audit of these financial statements	12	12
	<u>42</u>	<u>24</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 (2007: £700).

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	
	2008	2007
Supervision and management	116	115
Repairs and maintenance	82	82
	198	197

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£000	£000
Wages and salaries	4,174	4,116
Social security costs	292	290
Other pension costs	900	744
	5,366	5,150

6 Interest receivable and similar income

	2008	2007
	£000	£000
Bank interest	100	50
	100	50

7 Other finance costs

	2008	2007
	£000	£000
Pension interest cost (see note 19)	10	30
	10	30

Notes (*continued*)

8 Taxation

	2008	2007
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	8	-
Adjustments in respect of prior periods	1	(22)
	<hr/>	<hr/>
	9	(22)
Deferred tax (see note 13)	<hr/>	<hr/>
Origination/reversal of timing differences	6	3
Adjustments in respect of prior periods	-	3
	<hr/>	<hr/>
Total deferred tax	6	6
	<hr/>	<hr/>
Tax on surplus on ordinary activities	15	(16)
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than (*2007: lower than*) the standard rate of corporation tax in the UK (20%, 2007: 19%). The differences are explained below.

	2008	2007
	£000	£000
<i>Current tax reconciliation</i>		
Surplus on ordinary activities before tax	313	380
	<hr/>	<hr/>
Current tax at 20% (2007: 19%)	63	72
	<hr/>	<hr/>
<i>Effects of:</i>		
Income not taxable for tax purposes	(54)	(91)
Expenses not deductible for tax purposes	7	23
Adjustments to tax in respect of previous periods	-	(22)
Depreciation in excess of capital allowances	(1)	-
Unrelieved tax losses and other deductions arising in the period	(6)	(4)
	<hr/>	<hr/>
Total current tax charge/(credit) (see above)	9	(22)
	<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 2007.

Notes (continued)

9 Tangible fixed assets

	Fixtures, fittings, tools and equipment £000	Software £000	Total £000
Cost			
At beginning of year	65	4	69
Additions	24	169	193
	<hr/>	<hr/>	<hr/>
At end of year	89	173	262
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation			
At beginning of year	23	-	23
Charge for year	14	16	30
	<hr/>	<hr/>	<hr/>
At end of year	37	16	53
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 31 March 2008	52	157	209
	<hr/>	<hr/>	<hr/>
At 31 March 2007	42	4	46
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

10 Stocks

	2008 £000	2007 £000
Raw materials and consumables	246	225
	<hr/> <hr/>	<hr/> <hr/>

11 Debtors

	2008 £000	2007 £000
Other debtors	35	10
Blyth Valley Borough Council	222	175
	<hr/>	<hr/>
	257	185
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

12 Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Trade creditors	224	291
Taxation and social security	199	227
Other creditors	23	13
Blyth Valley Borough Council	160	262
Deferred income	91	-
	697	793
	697	793

13 Provisions for liabilities and charges

The elements of deferred taxation are as follows:

	2008	2007
	£000	£000
Other timing differences	-	-
Tax losses	-	6
	-	6
Deferred tax asset	-	6

14 Reconciliation of operating surplus to net cashflow from operating activities

	2008	2007
	£000	£000
Operating surplus	223	360
Depreciation charged	30	12
Increase in stocks	(21)	(52)
Increase in debtors	(79)	(79)
(Decrease)/increase in creditors	(98)	223
Difference between pension charge and actual cash contributions	210	80
	265	544
Net cashflow from operating activities	265	544

15 Analysis of net funds

	At beginning of year	Cashflow	At end of year
	£000	£000	£000
Cash at bank and in hand	1,350	172	1,522
	1,350	172	1,522

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 2008 was 1 (*2007: 1*).

17 Reserves

	Profit and loss account excluding pension reserve	Pensions reserve	Total
	£000	£000	£000
At beginning of year	909	(3,330)	(2,421)
Retained surplus for the year	298	-	298
Actuarial gain recognised in the pension scheme	-	1,070	1,070
	<hr/>	<hr/>	<hr/>
At end of year	1,207	(2,260)	(1,053)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18 Reconciliation of movement in shareholders' funds

	2008 £000	2007 £000
Surplus for the financial year	298	396
Other recognised surpluses and deficits relating to the year	1,070	(3,330)
	<hr/>	<hr/>
Net increase/(decrease) shareholders' funds	1,368	(2,934)
Opening shareholders' (deficit)/funds	(2,421)	513
	<hr/>	<hr/>
Closing shareholders' deficit	(1,053)	(2,421)
	<hr/> <hr/>	<hr/> <hr/>

Notes (*continued*)

19 Pension scheme

The Company participates in the Northumberland County Council Pension Fund, a Local Government Pension Scheme ('LGPS'), which is a funded defined benefit scheme.

The latest full actuarial valuation was carried out by Hewitt at 31 March 2007 has been updated by an independent qualified actuary on an FRS 17 basis as at 31 March 2008. As required by FRS 17 the defined benefit liabilities have been measured using the projected unit method and both the assets and liabilities include the value of those pensions in payment, which are secured with assured annuities.

The major assumptions used in this valuation were:

	2008	2007	2006
Rate of increase in salaries	5.2%	4.7%	4.5%
Rate of increase in pensions in payment and deferred pensions	3.7%	3.2%	3.0%
Discount rate applied to scheme liabilities	6.8%	5.3%	4.9%
Inflation assumption	3.7%	3.2%	3.0%
Discount rate for pension cost over year	6.8%	5.3%	4.9%

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.

Notes (continued)

19 Pension scheme (continued)

The fair value of the scheme's assets, which are not intended to be realised in the short term may be subject to significant change before they are realised, and the present value of the scheme's liabilities which are derived from cash flow projections over long periods and thus inherently uncertain were:

	Long term rate of return	Value at 31 March 2008 £000	Long term rate of return	Value at 31 March 2007 £000	Long term rate of return	Value at 31 March 2006 £000
Equities	7.6%	7,548	7.7%	7,667	7.3%	6,566
Government bonds	4.6%	1,992	4.7%	1,093	4.3%	889
Property	6.6%	924	6.7%	1,736	6.3%	1,548
Corporate bonds	6.8%	817	5.3%	867	4.9%	811
Other assets	6.0%	199	5.6%	137	4.6%	96
		11,480		11,500		9,910
Present value of scheme liabilities		(14,070)		(14,940)		(13,620)
Net pension liability		(2,590)		(3,440)		(3,710)

The above long term rates of return are gross of scheme expenses.

Movement in net pension deficit during the year:

	2008 £000	2007 £000
Deficit in scheme at beginning of year	(3,440)	(3,710)
Current service cost	(700)	(744)
Past service cost	(200)	-
Contributions paid	690	664
Other finance cost	(10)	(30)
Actuarial gain	1,070	380
Deficit in scheme at end of year	(2,590)	(3,440)

Income and expenditure account

The following amounts have been included within operating profit.

	2008 £000	2007 £000
Current service cost (note 5)	700	744
Past service cost (note 5)	200	-
	900	744

Notes (*continued*)

19 Pension scheme (*continued*)

Income and expenditure account (*continued*)

The following amounts have been included within other finance costs.

	31 March 2008 £000	31 March 2007 £000
Expected return on pension scheme assets	800	660
Interest on pension scheme liabilities	(810)	(690)
	<hr/>	<hr/>
Net finance costs	(10)	(30)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2008 £000	2007 £000
Actual return less expected return on scheme assets	(1,630)	120
Changes in assumptions underlying the present value of scheme liabilities	2,820	260
Experience gains and losses	(120)	-
	<hr/>	<hr/>
Actuarial gain recognised in statement of total recognised surpluses and deficits	1,070	380
	<hr/> <hr/>	<hr/> <hr/>

	31 March 2008 £000	31 March 2007 £000	31 March 2006 £000
Difference between the expected and actual return on scheme assets	(1,630)	120	1,460
Percentage of scheme assets	(14.2%)	1.0%	14.7%
Experience gains and losses on scheme liabilities	(120)	-	-
Percentage of the present value of the scheme liabilities	(0.9%)	-	-
Changes in assumptions underlying the present value of pension liabilities	2,820	260	(1,140)
Percentage of the present value of scheme liabilities	20%	1.7%	(8.4%)

Notes (continued)

19 Pension scheme (continued)

Income and expenditure account (continued)

	2008	2007	2006
	£000	£000	£000
Total amount recognised in statement of total recognised gains and losses	1,070	380	320
Percentage of the present value of the scheme liabilities	7.6%	2.5%	2.3%

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 £8,739,600 (2007: £8,335,440).

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

The company is ultimately responsible to Blyth Valley Borough Council.

The consolidated accounts of the Council are available to the public and may be obtained from Blyth Valley Borough Council, Civic Centre, Blyth, Northumberland, NE24 2BX.

22 Contingent liability

In line with other ALMO's, Blyth Valley Housing Limited believes that its activities with Blyth Valley Borough 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 have reviewed the legal framework of Blyth Valley Housing and have submitted a report to HMRC, who accepted the report in June 2007 on the basis that the company's main trading activities with Blyth Valley Borough Council are 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.