

Company Registration No. 04375380 (England and Wales)

HOMES FOR NORTHUMBERLAND LIMITED

**Directors' report and financial statements
For the year ended 31 March 2013**

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Company information

Directors

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

Cllr Gordon Castle
Cllr Barrie Crowther
Cllr Gordon Webb

Council Member
Council Member
Council Member

Karen Bailey
Maureen McAvoy
Gordon Hodgson
Barbara Woodward

Tenant Board Member
Tenant Board Member
Tenant Board Member
Tenant Board Member

Daljit Lally
Ian North
Steven Mason

Chair

Independent Board Member
Independent Board Member
Independent Board Member

Company Secretary

Jl Henderson (to 18 Apr 2012)
KJ Kelly (from 18 Apr 2012 to 3 Jan 2013)
P Harrison (from 4 Jan 2013)

Registered Office

Civic Centre
Renwick Road
Blyth
Northumberland
NE24 2BX

Registered number

Registered under the Companies Act 2006 (registered number 04375380)

Company information *(continued)*

Senior Management - The Executive Team

Kevin Lowry		Managing Director (previously acting Managing Director – permanently appointed 7 Jan 2013)
Kevin Kelly	(ceased 4 Jan 2013)	Interim Director of Finance & Resources
Paul Harrison	(appointed 2 Jan 2013)	Director of Corporate Services
Ian Johnson		Director of Property Services (previously acting Director of Property Services – permanently appointed 17/12/2012)
Ray Boycott	(ceased 30 Apr 2012)	Managing Director
Tim Harris	(ceased 3 Mar 2013)	Interim Director of Neighbourhood Services
Samantha Mason	(appointed 4 Mar 2013)	Director of Neighbourhood Services

Auditor

Deloitte
One Trinity Gardens
Broad Chare
Newcastle upon Tyne
Tyne & Wear
NE1 6AE

Solicitors

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

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

Bankers

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

Directors' report

The Directors present their annual report on the affairs of the Company, together with the financial statements and Auditors' report for the year ended 31 March 2013.

Company Information

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 of council housing stock on behalf of the Council.

The Company was established as Blyth Valley Housing Limited under round two of the Government's Arms-Length Housing Management Programme. It was incorporated on 15 February 2002 and commenced 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. At this date, Homes for Northumberland also took on responsibility for the management of the Council's housing stock in the district of Alnwick in addition to 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.

Financial Results for the Year

The Company's income and expenditure account are summarised below:

	2013	2012
	£000	£000
Total income	13,322	12,719
Operating costs	<u>(13,442)</u>	<u>(13,093)</u>
Operating (deficit)/surplus	(120)	(374)
Exceptional item	(1,386)	0
Net interest charges	(81)	(54)
Tax charges	<u>(4)</u>	<u>17</u>
Deficit for the year	<u>(1,591)</u>	<u>(411)</u>

Business Review

On 3 July 2012, after a period of uncertainty in which consideration was given to taking the housing management function back into the Council, the Council's Executive made a decision to retain the Company as its housing delivery agent. The Company will, therefore, continue to feature as part of Northumberland County Council's long-term housing delivery and development plans.

Directors' report *(continued)*

In considering the future of the Company, the Council's Executive:

- Confirmed the Council's commitment to retaining its own housing stock;
- Agreed to change the Company's articles of association to ensure strong tenant influence over the housing management service and to allow the ALMO to manage additional services as required by the Council.
- Agreed to set clear objectives for the ALMO and to reduce management costs in line with the efficiencies that could be achieved if the service was directly managed within the Council.
- Noted that the proposed revised arrangements created a framework within which the ALMO could manage the new Council-owned social housing which will be developed as a result of plans to increase the number of affordable homes in the County.

In order to deliver these requirements, the Company has undertaken a restructure of the business which resulted in the release of 33 staff under a programme of voluntary redundancies. 22 new posts have been created with the aim of making the organisation more customer-focussed. For example, as part of the restructure, the number of staff in the Customer Contact Centre was increased from 6 to 10. The restructure began in the last quarter of 2012/13 and was substantially completed in the first quarter of 2013/14. However, the full cost of the redundancy programme (£1.386m) has been recognised in 2012/13 skewing the results for this year of account.

The savings made from the net reduction in staff achieved through the restructure, combined with savings made through a review of the costs of major contracts, has achieved the savings required by the Council.

In parallel with the restructure, a permanent Executive Management Team was appointed during the year. The details of these appointments are on page 3.

In addition to these internal changes, 2012/13 was an important year for social housing nationally:

- The Government introduced self-financing for Local Authorities in April 2012, fundamentally changing the approach to the financial management of council-owned housing.
- The Homes and Communities Agency introduced a new regulatory framework for social housing in April 2012. This focusses on transparency, the need for engagement with customers, tenant scrutiny and value for money.
- The Welfare Reform Bill received Royal assent during 2012. The impact for our customers, and for the company associated with this, will be significant.

Future Developments

The Company is currently exploring opportunities to diversify the business. This may include taking responsibility for additional services that may be devolved by Northumberland County Council in line with the Executive decision in July 2012.

Going Concern

The Company has a management agreement in place with Northumberland County Council which expires on 31 March 2022. The agreement generates an annual management fee which is the Company's principal source of income.

The Board 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.

Directors' report *(continued)*

Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies in the notes of the financial statements.

Financial Risk Management Objectives and Policies

The Company's main financial risk management objective is to manage expenditure within the agreed budget whilst meeting relevant performance targets. The Company has budgeting and management accounting procedures in place to mitigate these risks.

The Company shares a bank account with Northumberland County Council and is therefore sheltered from cash flow and liquidity risks through the greater cash resources available to the Council. Similarly, the Company's main receivables are balances with the Council and the risk of default on these is low.

Board Members and Executive Directors

The Company's Board Membership and Executive Team during the year are set out on pages 2 and 3. During this year there were no changes made in respect of board members but there were changes made to the Executive Team as shown on page 3.

The Executive Team consists of the Managing Director, Director of Corporate Services, Director of Property Services and Director of Neighbourhood Services. They hold no interest in the Company and act as executives within the 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.

Charitable Donations

The Company made no charitable donations in the year-ended 31 March 2013 (2012: £nil).

Political Donations and Expenditure

The Company made no political donations or expenditure in the year-ended 31 March 2013 (2012: £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 adaptations/changes to work patterns can be considered to enable staff to remain in employment.

Directors' report *(continued)*

Employee Consultation

The Company has a strong and positive tradition of fully consulting with its recognised trade unions. Last year a revised recognition agreement was implemented. This sets out the ways in which we consult with the trades unions and ensures that they have appropriate time to enable a constructive dialogue between us. As well as formal consultation through our trade 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. There is a Company-wide monthly Team Briefing session 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.

Employee Benefits

All staff have access to a benefits package that includes financial support for optical and dental costs, subsidised gym membership, money back on a range of complementary treatments and a 24 hour employee assistance programme.

Auditors

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 Auditors are 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 Auditors are aware of that information.

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

KPMG LLP resigned as Auditors during the year and Deloitte LLP were appointed. A resolution to reappoint Deloitte will be proposed at the forthcoming Annual General Meeting.

By order of the Board and signed on its behalf.

Ian North
Chair

Statement of Director's responsibilities in respect of the Directors' report and financial statements

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.

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 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 22. 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 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 and express an opinion on the financial statements 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 2013 and of its (loss) 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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
Newcastle upon Tyne

Income and expenditure account
 for the year ended 31 March 2013

	Note	2013 £000	As restated 2012 £000
Turnover	2	11,200	11,035
Operating costs	2	<u>(13,442)</u>	<u>(13,093)</u>
		(2,242)	(2,058)
Other operating income	2	<u>2,122</u>	<u>1,684</u>
Operating deficit		(120)	(374)
Exceptional item	3	(1,386)	0
Interest receivable and similar income	7	0	0
Interest payable and similar charges	8	(71)	(64)
Other finance (costs)/income	9	<u>(10)</u>	<u>10</u>
Deficit on ordinary activities Before taxation	4	(1,587)	(428)
Tax on (deficit)/surplus from ordinary activities	10	<u>(4)</u>	<u>17</u>
Deficit for the year	17	<u>(1,591)</u>	<u>(411)</u>

All amounts relate to continuing activities.

Balance Sheet
at 31 March 2013

	Note	2013 £000	<i>As restated</i> 2012 £000
Fixed Assets			
Tangible assets	11	2,944	2,998
Current assets			
Stocks	12	227	225
Debtors	13	<u>4,307</u>	<u>3,971</u>
		4,534	4,196
Creditors: amounts falling due within one year	14	(5,723)	(4,797)
Net current liabilities		<u>(1,189)</u>	<u>(601)</u>
Creditors: amounts falling due after more than one year	15	(2,294)	(1,385)
Net pension liability	19	(8,390)	(8,370)
Net Liabilities		<u>(8,929)</u>	<u>(7,538)</u>
Reserves			
Income and expenditure account excluding pension costs		(539)	1,012
Net pension liability		<u>(8,390)</u>	<u>(8,370)</u>
Total Reserves	17	<u>(8,929)</u>	<u>(7,358)</u>

These financial statements were approved by the Board of Directors on 20 November 2013 and were signed on its behalf by:

Ian North
Chair

Kevin Lowry
Managing Director

Company registered number: 04375380

Statement of total recognised surpluses and deficits

for the year ended 31 March 2013

	Note	2013 £000	As restated 2012 £000
Deficit for the financial year		(1,591)	(411)
Actuarial loss recognised in the pension scheme	19	<u>20</u>	<u>(2,570)</u>
Total recognised deficit recognised since the last annual report		<u>(1,571)</u>	<u>(2,981)</u>

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.

As the Company is a wholly owned subsidiary of Northumberland County Council, the Company has taken advantage of the exemption contained within FRS8 and therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Northumberland County Council, within which this Company is included, can be obtained from the address given in note 20.

Going Concern

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

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

With a view to meeting the financial challenges that all councils are facing at the present time, Northumberland County Council was considering the way in which it delivers its housing management service. The Council made the decision on 3 July 2012 to continue to support the Company's activities in the longer term.

The current economic conditions create an element of uncertainty over the Company's activities. 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

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

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.

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 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.

1 Accounting policies (continued)

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

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. 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.

Homes for Northumberland has taken advantage of an exemption, under FRS1, from the remit 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

2 Analysis of turnover and operating (deficit)

	2013	As restated
	£000	2012
		£000
Turnover		
Management Fee	6,484	6,319
Repairs and maintenance	<u>4,716</u>	<u>4,716</u>
	<u>11,200</u>	<u>11,035</u>
Operating costs		
Management of housing stock	(6,707)	(6,252)
Repairs and maintenance of housing stock	(5,800)	(6,049)
Sheltered units and community houses	(317)	(266)
Procurement unit	<u>(618)</u>	<u>(526)</u>
	<u>(13,442)</u>	<u>(13,093)</u>
Other operating income (other management fees including Capital programme and other income)	<u>2,122</u>	<u>1,684</u>
Operating (deficit)	<u>(120)</u>	<u>(374)</u>

3 Exceptional Item

In 2012/13 a provision was allocated for the voluntary redundancy in relation to the reorganization of £1,386,417. The majority of costs were paid in year and the remainder accrued for at year end. The cost of this is funded by a loan from Northumberland County Council see note 15.

4 (Deficit) on ordinary activities before taxation

	2013	As restated 2012
	£000	£000
The (deficit) on ordinary activities before taxation is stated after charging :		
Depreciation of tangible fixed assets (note 11)	148	150
Payments under operating leases (note 22)	397	416
Release of deferred income (note 21)	(21)	(21)
	2013	2012
	£000	£000
<i>Auditor's remuneration</i>		
Audit of these financial statements	14	17
Other services relating to taxation	0	3

5 Remuneration of Directors

The aggregate amount of expenses reimbursed to Board members in the year was £1,918 (2012: £1,387). No remuneration was paid to the Board members in the year (2012: £nil)

6 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	
	2013	2012
Supervision and management	99	101
Repairs and maintenance	<u>112</u>	<u>107</u>
Total	<u>211</u>	<u>208</u>

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£000	£000
Wages and salaries	4,936	5,144
Social security costs	348	359
Other pension costs (note 19)	860	620
Past Service Cost (note 19)	<u>370</u>	<u>0</u>
	<u>6,514</u>	<u>6,123</u>

7 Interest receivable and similar income

	2013	2012
	£000	£000
Bank interest	<u>0</u>	<u>0</u>

8 Interest payable and similar charges

	2013	2012
	£000	£000
Interest on loan from parent undertaking	<u>71</u>	<u>64</u>

9 Other finance (costs)/income

	2013	2012
	£000	£000
Pension – other finance costs (note 20)	<u>(10)</u>	<u>10</u>

10 Taxation

The Board considers that the Company's activities with Northumberland County Council do not amount to a trade for corporation tax purposes. This is on the basis of guidance issued by HM Revenue & Customs (HMRC) which states that the relationship between 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, who 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 accounts on the basis that the Company is only liable to corporation tax on its activities with third parties. This status is reviewed annually.

	2013	2012
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	(14)	0
Adjustments in respect of prior periods	<u>18</u>	<u>(17)</u>
Total current tax	4	(17)
Deferred tax	0	0
Tax on surplus/(deficit) on ordinary activities	<u>4</u>	<u>(17)</u>

10 Taxation (continued)

Factors affecting the tax charge for the current period

The tax charge for the period differs from the standard rate of corporation tax in the UK of 20.00%

The differences are explained below:

	2013 £000	2012 £000
Defecit on ordinary activities before tax	<u>(1,587)</u>	<u>(449)</u>
Tax on defecit at standard UK tax rate of 20.00% (2012:20.00%)	(317)	(90)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	173	74
Capital allowances for period in excess of depreciation	(4)	2
Movement in short term timing differences	8	0
Adjustments to tax charge in respect of previous periods	18	(17)
Tax losses arising in the period – not recognised	125	14
Total current tax charge/(credit) for the period (see above)	<u>4</u>	<u>(17)</u>

11 Tangible fixed assets

	Freehold land and buildings* £000	Assets under the course of construction £000	Fixtures, fittings tools and equipment £000	Software £000	Total £000
Cost					
At beginning of year	2,778	0	237	427	3,442
Additions	0	0	88	7	95
Disposals	<u>(1)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1)</u>
At end of year	<u>2,777</u>	<u>0</u>	<u>325</u>	<u>434</u>	<u>3,536</u>
Depreciation					
At beginning of year	43	0	121	280	444
Charge for year	43	0	33	72	148
On disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
At end of year	<u>86</u>	<u>0</u>	<u>154</u>	<u>352</u>	<u>592</u>
Net book value					
At 31 March 2013	<u>2,691</u>	<u>0</u>	<u>171</u>	<u>82</u>	<u>2,944</u>
At 31 March 2012	<u>2,735</u>	<u>0</u>	<u>116</u>	<u>147</u>	<u>2,998</u>

*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

12 Stocks

	2013	2012
	£000	£000
Raw materials and consumables	<u>227</u>	<u>225</u>

13 Debtors

	2013	As restated 2012
	£000	£000
Amount owed by Northumberland County Council	4,237	3,884
Other debtors	<u>70</u>	<u>87</u>
	<u>4,307</u>	<u>3,971</u>

All debtor balances are due within one year

14 Creditors: amounts falling due within one year

	2013	As restated 2012
	£000	£000
Amount owed to Northumberland County Council	2,932	2,605
Deferred Income	1,302	1,323
Taxation and social security	247	217
Other creditors	<u>1,242</u>	<u>652</u>
	<u>5,723</u>	<u>4,797</u>

15 Creditors: amounts falling due after more than one year

	2013	2012
	£000	£000
Amount owed to Northumberland County Council	<u>2,294</u>	<u>1,385</u>
	<u>2,294</u>	<u>1,385</u>

Amounts owed to Northumberland County Council include £14,403 (2012: £27,000) due within one year and £1,370,233 (2012: £1,385,000) due after one year, subject to interest at 4.5% p.a, repayable over 40 years to 2051.

During the year an additional loan was taken from Northumberland County Council of up to £1,386,417 to cover Redundancy costs. This was agreed on an interest free basis over 3 years. Due within one year £462,139 (2012:£nil) and £924,278 (2012:£nil) due after one year.

The loans fall due as follows

	2013	2012
	£000	£000
Amounts falling due:		
within one year	477	27
One to two years	477	14
Two to five years	511	47
Beyond 5 years	1,305	1,323

16 Share Capital

The Company does not have share capital as it is limited by guarantee of £1 per member. Membership at March 2013 was 1 (2012:1).

17 Reserves

	Total reserves £000
At beginning of year (as restated)	(7,358)
Retained deficit for the year	(1,591)
Actuarial gain recognised in the pension scheme	<u>20</u>
At end of year	<u>(8,929)</u>

18 Reconciliation of movement in shareholders' deficit

	2013 £000	As restated 2012 £000
(Deficit) for the financial year	(1,591)	(411)
Actuarial gains/(losses) recognised in the pension scheme	<u>20</u>	<u>(2,570)</u>
Net (decrease) in shareholders' funds	(1,571)	(2,981)
Opening shareholders' deficit	<u>(7,358)</u>	<u>(4,377)</u>
Closing shareholders deficit	<u>(8,929)</u>	<u>(7,358)</u>

19 Pension schemes

Defined Benefit Scheme

The Company participates as an admitted body in a Local Government Pension Scheme, Northumberland County Council Pension Fund, which is administered by Northumberland 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 2010 and was updated for FRS17 purposes to 31 March 2012 and 31 March 2013 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 2013 £000	31 March 2012 £000
Present value of funded defined benefit obligations	(32,110)	(27,990)
Fair value of plan assets	<u>23,720</u>	<u>19,620</u>
Scheme Deficit	<u>(8,390)</u>	<u>(8,370)</u>
Related deferred tax asset	0	0
Net liability	<u>(8,390)</u>	<u>(8,370)</u>

19 Pension schemes (continued)

Movements in present value of defined benefit obligations

	2013 £000	2012 £000
At 1 April	(27,990)	(24,350)
Current service cost	(860)	(800)
Interest cost	(1,370)	(1,300)
Actuarial losses	(1,440)	(2,150)
Contributions by members	(270)	(290)
Benefits paid	190	180
Past service cost	(370)	0
Settlements	<u>0</u>	<u>720</u>
At 31 March	<u>(32,110)</u>	<u>(27,990)</u>

Movements in fair value of plan assets

	2013 £000	2012 £000
At 1 April	19,620	18,290
Expected return on plan assets	1,360	1,310
Actuarial losses	1,460	(420)
Contributions by employer	1,200	870
Contributions by members	270	290
Benefits paid	(190)	(180)
Settlements	<u>0</u>	<u>(540)</u>
At 31 March	<u>23,720</u>	<u>19,620</u>

Expense/(Income) recognised in the profit and loss account

	2013 £000	2012 £000
Current service cost	860	800
Past service cost	370	0
Interest cost	1,370	1,300
Expected return on defined benefit pension plan assets	(1,360)	(1,310)
Net settlement cost	<u>0</u>	<u>(180)</u>
Total	<u>1,240</u>	<u>610</u>

The expense/(income) is recognised in the following line items in the profit and loss account:

	2013 £000	2012 £000
Operating costs	1,230	620
Other finance costs	10	(10)

The total amount recognised in the statement of total recognised gains and losses is a gain of £20,000 (2012: £2,570,000 loss)

19 Pension schemes (continued)

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

	2013 Fair Value £000	2012 Fair value £000
Equities	16,296	13,656
Gilts	3,653	2,747
Bonds	2,395	2,080
Property	1,044	981
Cash	190	156
Other	<u>142</u>	<u>0</u>
	<u>23,720</u>	<u>19,620</u>
Actual return on plan assets	<u>2,820</u>	<u>890</u>

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:

	2013	2012
Discount rate applied to scheme liabilities	4.6%	4.8%
Future Salary increases	4.7%	5.1%
Rate of increases in pensions in payment	2.8%	2.6%
Rate of interest deferred pensions	2.8%	2.6%
Inflation increase		
- RPI	3.7%	3.6%
- CPI	<u>2.8%</u>	<u>2.6%</u>

Valuation Assumptions

	2013	2012
Expected return on assets:		
Equities	7.8%	8.1%
Government bonds	2.8%	3.1%
Corporate bonds	3.8%	3.7%
Property	7.3%	7.6%
Cash	0.9%	1.8%

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

Life expectancy from age 65 (years):

	Males		Females	
	2013	2012	2013	2012
Retiring today	22.5	22.4	24.7	24.5
Retiring in 20 years	24.3	24.2	26.6	26.5

19 Pension schemes (continued)

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

History of plans

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

Balance sheet

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Present value of scheme liabilities	(32,110)	(27,990)	(24,350)	(28,630)	(17,540)
Fair values of scheme assets	<u>23,720</u>	<u>19,620</u>	<u>18,290</u>	<u>16,700</u>	<u>9,470</u>
Deficit	<u>(8,390)</u>	<u>(8,370)</u>	<u>(6,060)</u>	<u>(11,930)</u>	<u>(8,070)</u>

Experience adjustments

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Experience adjustments on scheme assets	1,460	(420)	(780)	3,880	3,680
Experience adjustments on scheme liabilities	20	(70)	2,930	40	100

The Company expects to contribute approximately £830,000 to its defined benefit plan in the next financial year.

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

The 4 directors who are the Tenant representatives listed on page 1 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.

21 Prior year adjustments

We have made an adjustment of £524,206 to 31 March 2012 balance sheet for the Principal Agent invoices relating to the capital program which are for purchases on behalf of Northumberland County Council by HFN.

In addition we have made an adjustment for 2011/12 release of deferred income of £20,731 relating to the grant of £1,344,000 from HCA previously allocated to Northumberland County Council creditors.

Reconciliation to 2011/12 Financial Statements

Debtors

Per final accounts	4,495
Principal agent adjustment	<u>(524)</u>
Revised	3,971

Creditors: amounts falling due within one year

Per final accounts	5,342
Principal agent adjustment	(524)
Release of deferred income	<u>(21)</u>
Revised	4,797

Creditors Note (note 14)

	Per financial Statements	Adjustment	As Restated
Amount owed to Northumberland County Council	3,949	(1,344)	2,605
Deferred Income - move from NCC Creditors	0	1,344	1,323
Deferred Income – release in year	<u>0</u>	<u>(21)</u>	<u>(21)</u>
	0	1,323	1,302
Taxation and social security	217	0	217
Other creditors	<u>1,176</u>	<u>(524)</u>	<u>652</u>
	<u>5,342</u>	<u>(545)</u>	<u>4,797</u>

Income and Expenditure

Deficit for the year – Per final accounts	(432)
Release of deferred income	<u>21</u>
Revised	(411)

22 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

Lease expiring in	2013 £000	2012 £000
One year	0	19
One to five years	302	302
Beyond five years	<u>95</u>	<u>95</u>
Total	<u>397</u>	<u>416</u>