



**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2016**

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**INFORMATION**

**Board Members**



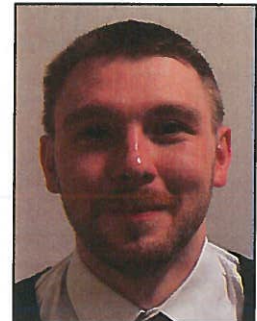
**Roger Williams**  
 Chair & Tenant  
 Member



**Denise Davies**  
 Tenant Member



**Samantha Jones**  
 Tenant Member  
 Joined 23 July 2015



**Daniel Smith**  
 Tenant Member  
 Joined 23 July 2015



**Rosalyn Davies**  
 Council Nominee



**John Rogers**  
 Council Nominee



**Alan Lockyer**  
 Council Nominee



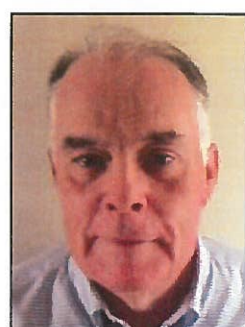
**Carol Clement-Williams**  
 Council Nominee  
 Joined 24 March 2016



**Steve Mundy**  
 Independent Member



**Brian Davies**  
 Independent Member



**Harry Lloyd**  
 Independent Member



**Helen James**  
 Vice-Chair &  
 Independent Member

**Resigned Board Members**

Ted Latham      Council Nominee      Resigned: 28 January 2016

## INFORMATION

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### Senior Management Team



**Linda Whittaker**  
Chief Executive



**John Andrew**  
Director of Finance & Corporate Services  
Company Secretary



**Claire Maimone**  
Director of Housing



**Steve Tucker**  
Interim Director of Assets

### Other information:

#### Registered Office

Tŷ Gwyn  
Brunel Way  
Baglan Energy Park  
Neath  
SA11 2FP

#### Bankers

Barclays Bank  
3 Windsor Place  
Cardiff  
CF10 3ZL

## INFORMATION

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### Funders

Royal Bank of Scotland  
280 Bishopsgate  
London  
EC2M 4RB

Nationwide  
Moulton Park  
Northampton  
NN3 6NW

Santander  
17 Ulster Terrace  
Regent's Park  
London  
NW1 4PJ

### Solicitors

Trowers & Hamblins  
40 Tower Hill  
London  
EC3N 4DX

Blake Morgan  
Bradley Court  
Park Place  
Cardiff  
CF10 3DR

Capsticks  
Staple House  
Staple Gardens  
Winchester  
SO23 8SR

Hugh James  
Hodge House  
114-116 St. Mary Street  
Cardiff  
CF10 1DY

Geldards  
Dumfries House  
Dumfries Place  
Cardiff  
CF10 3ZF

Darwin Gray  
Halmont House  
Churchill Way  
Cardiff  
CF10 2HE

Addleshaw Goddard  
Sovereign House  
PO Box 8  
Sovereign Street  
Leeds  
LS1 1HQ

### External auditor

Mazars LLP  
45 Church Street  
Birmingham  
B3 2RT

### Internal auditor

Barcud Shared Services  
Valleys to Coast Housing  
Tremains Business Park  
Tremains Road  
Bridgend  
CF31 1TZ

**FCA registration number**  
**WG registration number**

31041R  
L154

## STRATEGIC REPORT

The Board presents its Strategic Report, Board Report and the audited Financial Statements for NPT Homes Limited (the organisation) for the year ended 31 March 2016.

### STRATEGIC MANAGEMENT

#### 1. Principal Activities and Business Model

The organisation's principal activity is to provide affordable homes within the County Borough of Neath Port Talbot, owning, managing and maintaining 9,144 rented properties, 585 leasehold flats, 17 shops and 782 garage plots at 31 March 2016.

Type of Home	Number at 31 March 2016	Number at 31 March 2015
Bungalow	371	371
Flat	2,525	2,499
House	5,770	5,786
Maisonette	5	5
Haven Housing Bungalow	84	84
Haven Housing Flat	389	388
<b>Grand total</b>	<b>9,144</b>	<b>9,133</b>

Established as a result of a large scale voluntary transfer from Neath Port Talbot County Borough Council's (NPTCBC's) housing stock on 4 March 2011, the organisation's primary activities are to maintain and improve services to tenants and leaseholders formerly provided by NPTCBC and to meet the commitments made in the transfer Offer Document.

The organisation's most significant activity to date is to undertake a programme to update the transferred housing stock to Welsh Housing Quality Standards which is scheduled to complete by 31 March 2017.

The organisation's business model is to provide homes for rent to those in need of affordable housing throughout the local community. The income generated from rent, service charges and grants is used to maintain and manage its properties in the most cost-effective way possible, while providing further support services to its tenants and the wider community. Loans are used to finance improvement works to properties with the interest and capital paid back through generating a surplus of income over operating costs. Any remaining surplus is held to finance future improvements and develop additional properties.

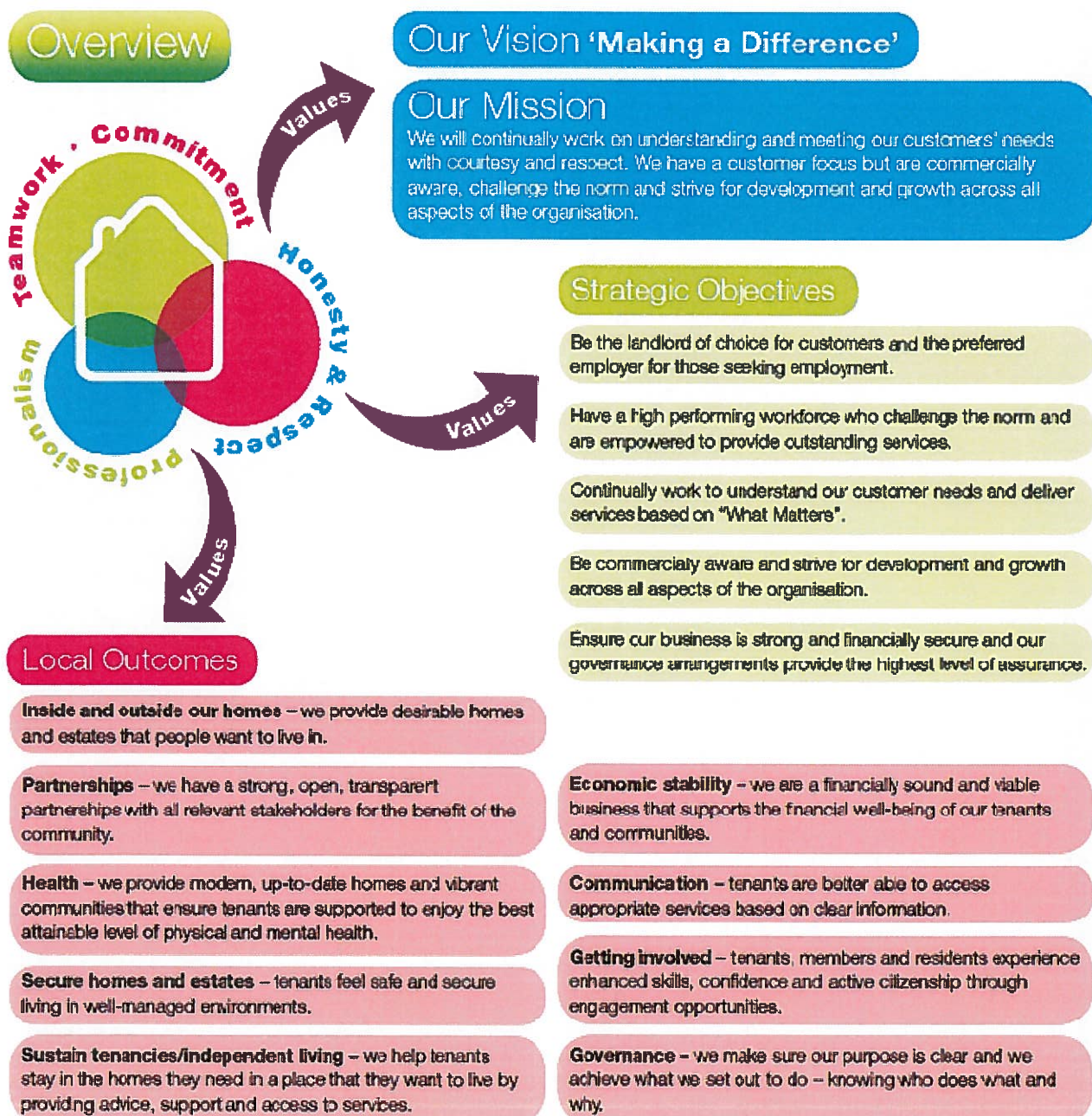
# STRATEGIC REPORT

## 2. Vision and Values

The organisation has adopted 'Making a Difference' as its vision while staff, tenants, and Board members have worked together to agree that the organisation's values are:

- Teamwork
- Honesty
- Professionalism
- Respect
- Commitment

The vision and values drive our mission to deliver our strategic objectives and the local outcomes for our tenants and stakeholders, as illustrated below:



## STRATEGIC REPORT

### 3. Strategic Objectives

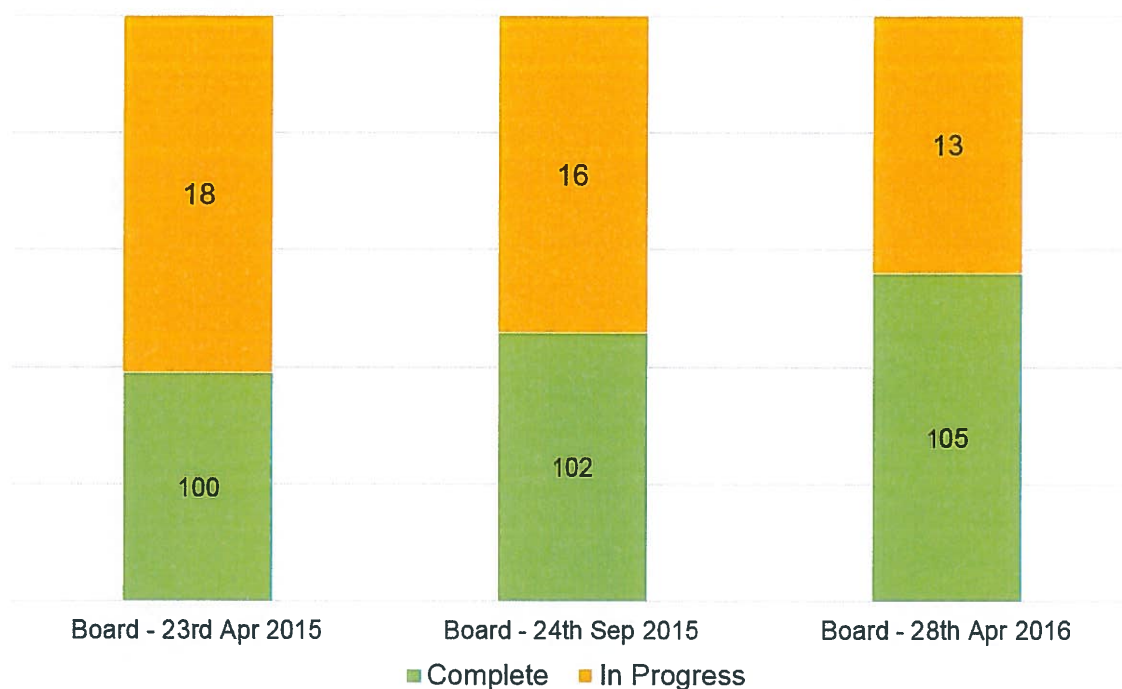
#### Delivering our Corporate Plan

NPT Homes' approved Corporate Plan for 2014-17 continues to outline our long-term vision, mission and strategic objectives. The Plan recognises the need to deliver the remaining Offer Document promises we made. Since its introduction NPT Homes has been making progress against the Plan which includes the Top 10 Corporate Projects.

#### Offer Document Promises

The Offer Document outlined 118 promises, 105 of those promises are now signed-off by Board. Of the 105 promises signed off to date, 5 were approved by Board as completed during the year.

**Offer Document Key Stages - Progression Status**



The 5 approved promises were:

#### 1. Improving and repairing our homes

*Promise:* A budget of £26.75 million within the investment programme over 30 years on disabled adaptations, including approximately £6 million in the first 6 years after transfer.

*Achievement:* NPT Homes has already spent in excess of the promised £6m on disabled adaptations since transfer and has set up a dedicated team to manage adaptation works going forward to meet the longer term promise within the Offer Document.

#### 2. Community and Economic Regeneration

*Promise:* Supporting the development of community owned social enterprises to supply goods and services.



## STRATEGIC REPORT

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*Achievement:* Following the creation of two local social enterprises to a sustainable level, NPT Homes continues to explore opportunities to support and develop more local social enterprises. NPT Homes has supported local businesses such as the Dove Workshop, Neath YMCA and Glynneath Training Centre to provide training and support to its tenants. It also has close links with Neath Port Talbot Council for Voluntary Services.

### 3. Repairs Service

*Promise:* NPT Homes would plan to extend the times during which day-to-day repairs are carried out, such as early evenings on weekdays and on Saturday mornings, so as to be able to offer more convenient appointments for working tenants.

*Achievement:* Working tenants who are unable to accept a normal working hours appointment due to their own work commitments are offered an early evening (up to 6.00 pm) or Saturday morning between 8.00 am and 12.00 midday appointment for non-urgent internal works.

### 4. Developing communities around sheltered schemes

*Promise:* NPT Homes would aim to improve services provided by the scheme managers in order to meet the needs of older people. It would consult with tenants on a range of possible improvements which, for example, could include developing communities around sheltered schemes.

*Achievement:* A 'Haven Housing' social group has been established, and the group aims to empower tenants to set up social activities for other tenants. A co-design approach has been taken to the re-design of the role of the scheme managers and the support service, which is now branded as 'Bridge'. The launch of the new co-designed service now sees tenants in the community supported and links made to sheltered housing schemes which have been re-branded as 'Haven Housing'.

### 5. Developing a good neighbour scheme for sheltered accommodation

*Promise:* Developing a good neighbour scheme for sheltered accommodation so that additional on-site support would be available for emergencies outside office hours.

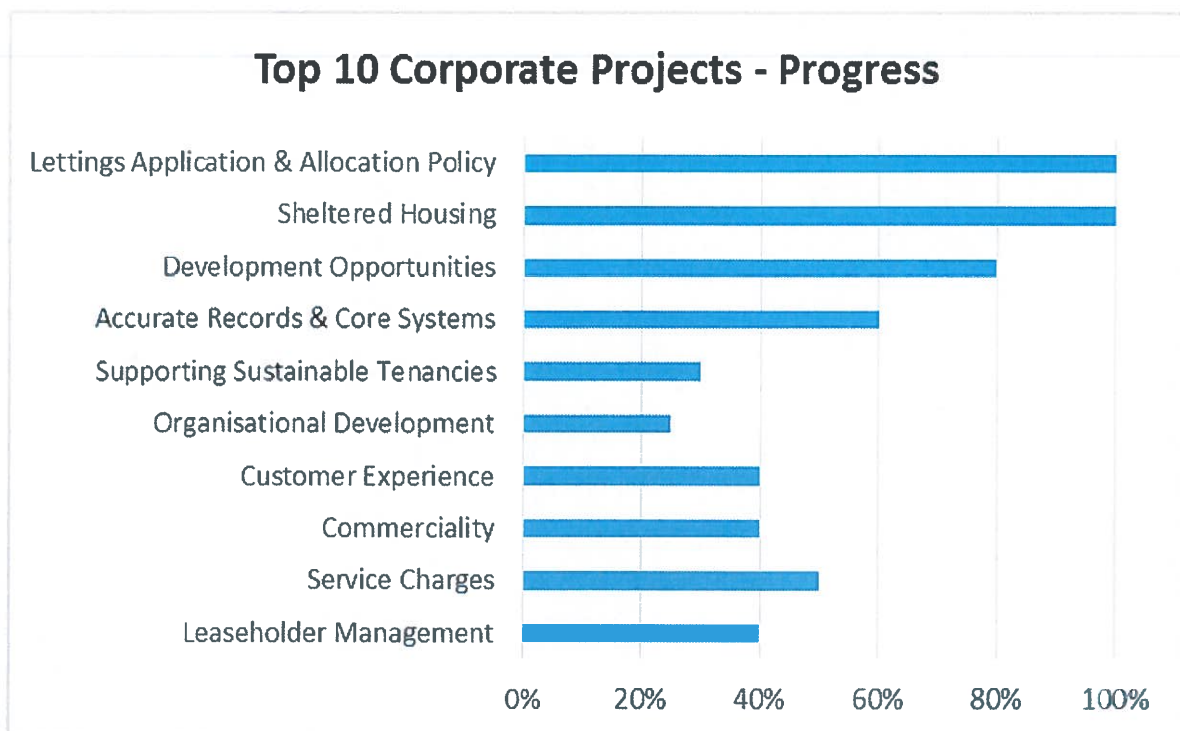
*Achievement:* The establishment of a good neighbour scheme was re-visited as part of the co-design of the revised scheme manager/support service. In order to recognise those tenants who are giving up their time on an informal basis to help their neighbours we are planning to undertake the following tasks:

- Put a poster up at all Haven Housing schemes and ask for people to share with us who is a good neighbour to them and why
- Send each of these tenants a 'Good Neighbour' certificate and automatically put them into the running for a tenant award at the Annual General Meeting (AGM)
- Seek permission from these tenants to feature them in the tenant newsletter.

## STRATEGIC REPORT

### Top 10 Corporate Projects

NPT Homes' Top 10 Corporate Projects support the delivery of the Corporate Plan and the Offer Document promises. During 2015/16 two of the ten projects have been completed and a progress update is shown below:



#### Lettings Application & Allocation Policy – 100% Complete

- Introduced fairer and simpler banding basis for allocations to replace the previous points based system
- Produced an easy read guide to help applicants understand our housing process

#### Sheltered Housing – 100% Complete

- Revised service delivery model co-designed with tenants
- 'Bridge' identified as the service brand for support delivered to older persons
- 'Haven Housing' identified as product brand for sheltered housing

#### Development Opportunities – 80% Complete

- Potential development land holdings assessment completed
- Identification of development skill within NPT Homes
- Development of the 30 year Business Plan to enable potential development

## STRATEGIC REPORT

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### Accurate Records & Core Systems - 60% Complete

- Updated critical property, tenancy and personal information
- Core system inputting/updating procedures updated and staff trained to ensure ongoing accuracy
- Data relating to key components within properties and land being collated to be loaded into our Housing System

### Supporting Sustainable Tenancies - 30% Complete

- Universal Credit (UC) team has been expanded and has directly or indirectly dealt with around 100 UC affected cases
- NPT Homes is a Department for Work and Pensions (DWP) Trusted Partner Pilot
- Traffic light approach to arrears partially implemented, resulting in significant decrease in arrears in the pilot area
- Further information can be found on page 13

### Organisational Development - 25% Complete

- Making a Difference Dialogue (MADD) employee performance process introduced
- Cross-organisational communication and team working event held as part of celebration of organisation's fifth anniversary
- E-Learning for core training introduced for office staff

### Customer Experience - 40% Complete

- Discovery phase completed
  - Workshops held on customer experience
  - Current levels of customer experience researched
  - Identification of "What Matters" to customers completed

### Commerciality - 40% Complete

- Essence of commerciality and value for money were presented to all staff – economy, efficiency and effectiveness
- Devised new defined contribution pension and revised core terms and conditions of employment for new starters from 1 April 2016
- Revised procurement strategy being developed

## STRATEGIC REPORT

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### Service Charges - 50% Complete

- Consultation with tenants affected by de-pooling of rent from service charges completed
- Welsh Government target date of 1 April 2016 for de-pooling met
- IT package capable of automating the service charge process being explored

### Leaseholder Management - 40% Complete

- Revised consultation process for major works, repairs and maintenance being finalised
- Leaseholder charges to be reviewed in line with analysis completed by service charges project
- Freehold sale programme underway

## 4. Future Development

### Offer Document Promises

We are on track to complete all our promises by 31 March 2017.

### WHQS

#### 2016/17 Challenges

- commence £3m external boundary pilot contract
- commence communal upgrade programme
- commence Phase 2 of the sheltered complexes, including remodelling of several schemes
- complete all core compliance programmes by March 2017
- deliver 8 Community Challenges in 2016/2017

A key priority for NPT Homes is to maximise the local employment opportunities via our property improvement programmes. This has been demonstrated again in 2015/16 by using the Welsh Government's Value Wales Toolkit. It shows that for every £1 spent by NPT Homes a further £1.99 has been reinvested into our local community out of a maximum £2.

To ensure NPT Homes continues to maximise employment opportunities, several programmes have been extended within the Borough. Our 'soft landing' approach is allowing us to achieve WHQS by March 2017, while still continuing to maintain employment opportunities for staff and external contractors. Given the delicate economic climate within the Borough, this will be a welcome boost to the local community of Neath Port Talbot.

# STRATEGIC REPORT

## Development opportunities

We have made planning and grant applications for the development of new homes across the Borough through a mix of redevelopment of old sheltered housing schemes and small ‘in fill’ developments on existing land holdings. In addition we continue to look for opportunities to buy suitable existing properties in order to address demand for smaller (one and two bedroom) properties and to replace stock lost through the Right-to-Buy.

## BUSINESS ENVIRONMENT

### 1. Principal Risks and Uncertainties

In order to manage and mitigate risks, the organisation has a risk management policy in place. The risk management procedures aim to help the organisation deliver better informed strategic decisions, successful delivery of change and increased operational efficiency.

The Welsh Government’s assessment of housing sector risks is taken as the starting point for identifying the risks facing the organisation.

The organisation also faces additional risks specific to its business and operations. Under its Risk Management Policy the organisation records the risks it faces in a register and then assesses the likelihood of it occurring together with its impact, whether financial, reputational or relating to health and safety. This gives an overall score for each risk. Each is then ranked and a range of responses agreed which include actions to either tolerate, treat, transfer, terminate or exploit the risk. Often, a risk cannot be entirely eliminated and mitigating that risk in a controlled manner is fundamental to managing current activities and planning future development.

Risk management is embedded throughout the organisation’s culture and a continual process of monitoring and review is undertaken on a day to day, monthly or quarterly basis dependent on the activity, significance and likelihood of each risk occurring.

The key strategic risks which the organisation is currently addressing are:

Risks	Actions
Welfare benefit reforms	See section on Welfare Reform below
Recovery of rent and other arrears	
Accuracy and completeness of data	Accurate Records - Top 10 Project
Compliance with legislation/regulation	Process improvements and active monitoring
Pension scheme deficit	Defined contribution scheme introduced for new starters from 1 April 2016

## STRATEGIC REPORT

### Meeting the challenge of Welfare Reforms and Rent Arrears

#### Universal Credit

To mitigate the risk Universal Credit (UC) has on our tenants, we have enhanced our dedicated UC Team to help provide vital support to those tenants affected. During 2015/16, the UC Team have worked with 91 cases where either the tenant or their non-dependant partners or adult children have had to make a claim under the new process.

There is currently a lack of certainty in relation to the future timetable for the rollout of UC, however, the UC Team have established key working relationships with key local and National UC Department for Work and Pensions (DWP) representatives. The team is also part of local, Welsh and National UC groups – thus enabling NPT Homes to be at the forefront of UC updates and help influence policy development based on our learning. NPT Homes recently became one of 27 organisations nationally approved by DWP to be part of the Universal Credit Local Authority Steering Group, as a Trusted Partner Pilot organisation.

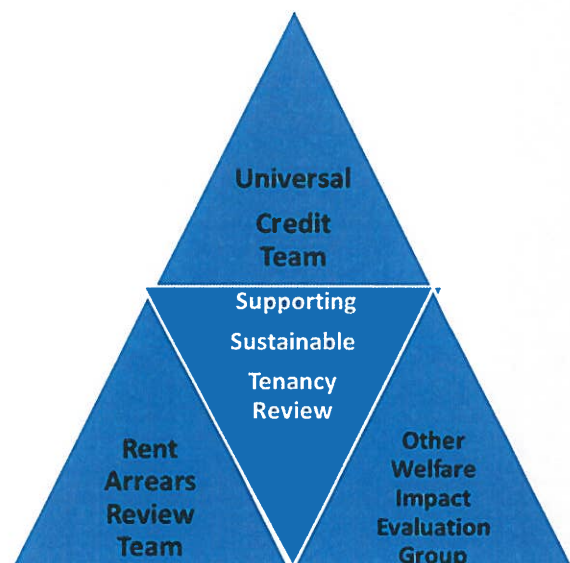
It is anticipated that the full UC rollout for Neath Port Talbot will be introduced towards the end of 2017 and we expect close to 4,000 existing NPT Homes tenants to migrate onto UC thereafter.

#### Other Welfare Impact Evaluation Group

The Housing Benefit or Housing Element of Universal Credit is changing from 1 April 2018. The amount of Housing Benefit paid to a tenant granted a tenancy from 1 April 2016 onwards could be restricted or capped to the relevant Local Housing Allowance rate for a household size.

This could particularly impact the following groups of tenants:

- New tenants under 21 years old with no dependants – no entitlement
- New tenants under 35 years old with no dependants – capped entitlement



In response the organisation has established a working group and is assessing the impact of these changes on NPT Homes and our tenants.

# STRATEGIC REPORT

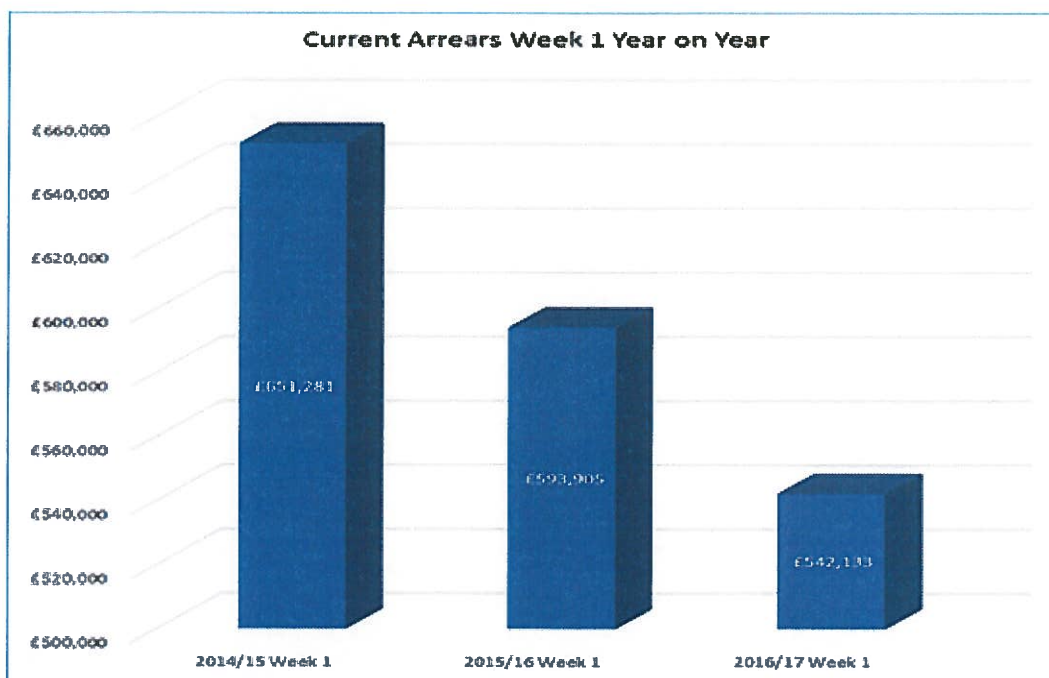
## Rent Arrears Review

NPT Homes has recently introduced a new way of managing arrears and supporting tenants. Along with the way we are helping those moving onto UC, this means that our rent arrears are managed at a low level.

A traffic light approach to arrears is partially implemented, resulting in a significant decrease in arrears in the pilot area.

Current tenant arrears as at week 1 2016/17 have been reduced by around 10% year-on-year, £50k lower than week 1 2015/16 and £110k lower than week 1 2014/15.

Moving forward the pilot scheme is to be evaluated and rolled out across all areas.



## 2. Financial Risk Management

### Cash Flow Risk

The organisation has a treasury function within its finance department whose activities are defined as “the management of the organisation’s cash flows, its banking, money market and capital market transactions and loan management; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

The organisation acknowledges that effective treasury management provides support towards the achievement of its corporate objectives. The treasury operation is not a profit centre. Its objective is to manage risk on a cost effective basis and speculative transactions are not permitted.

## STRATEGIC REPORT

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The treasury function's key objectives are to:

- Ensure no cash is lost through poor investments
- Place timed investments to prevent need for short term borrowing
- Set term-loan borrowing plans that meet the organisation's business needs while revolver loans are taken only as required
- Ensure informed decisions are taken to safeguard the most efficient use of cash.

### Credit Risk

The organisation's principal financial assets are bank balances and cash, rent arrears and other receivables.

The organisation's credit risk is primarily attributable to its rent arrears which are actively managed, including through the Supporting Sustainable Tenancies project, further information can be found on page 13. The amounts presented in the Statement of Financial Position are net of allowances for bad debts.

### Liquidity Risk

The organisation has minimised its risk by not having any abnormal exposure to price, credit, liquidity and cash flow risks arising from its trading activities. The organisation has not entered into trading transactions in financial instruments but has arranged simple interest hedging arrangements through the fixing of rates for loan drawdowns, with the last one planned for £6.6m in September 2018.

While looking to optimise returns on surplus funds, the organisation also recognises that liquidity of funds is an extremely important factor in reviewing investment options as this ensures funds are available to cover payments at all times.

The organisation's financial instruments comprise cash, short term investments and borrowings. With regards to liquidity, with the WHQS improvements being a long term activity, the organisation's policy is to raise finance primarily by medium and long term borrowing. As a result, a loan facility of £135m was agreed on transfer in 2011 with a syndicate of funders, led by Banco Santander, secured on the organisation's housing stock.

The loan facility is measured against covenants (including net debt per unit, cumulative cash flow deficit and value of loans outstanding compared to the value of housing stock) whose output levels are set by funders' approval of the 30 Year Business Plan which is updated each year. Actual performance to set covenants is audited and signed off as part of the annual audit of financial statements. The output levels set by the funders for the covenants have been met for 2015/16 and previous years.

Details of the loan facilities in place can be found on page 56 of the financial statements.



# STRATEGIC REPORT

## BUSINESS PERFORMANCE

### Performance and Position

The organisation reports a surplus for the year of £13.0m (2015: £14.2m) after accounting for net interest charges of £4.1m (2015: £2.9m) and profit on sale of fixed assets of £1.5m (2015: £0.9m).

During the year, the organisation spent £10.5m (2015: £10.4m) on reactive, cyclical and planned repairs on its housing properties, with £39m (2015: £27m) spent on improving its properties to achieve the Welsh Housing Quality Standard (WHQS). The works were financed through operating surpluses and cash balances supported by additional loans for the year of £33.9m (2015: additional loans of £14.9m). Details of changes to the organisation's fixed assets are shown in notes 11, 12 and 13 to the financial statements.

### Key Achievements

#### 1. Delivery of Welsh Housing Quality Standard (WHQS) Improvement Programme

The WHQS programme consists of two improvement programmes.

- A. A major programme of works on kitchens, bathrooms, electrics, heating, windows and roofing upgrades.
- B. Rendering and External Wall Insulation (EWI).

Progress to date is tabled below, with plans on track for completion by 31 March 2017.

Component	Target	Completed				Acceptable Fails	Completed including acceptable fails		
		At 31 March 2015	In 2015/16	At 31 March 2016			No	Units	%
		Units	Units	Units	%				
Kitchen	8740	5203	1283	6486	74%	849	7335	84%	
Bathroom	8339	4718	1298	6016	72%	686	6702	80%	
Rewire	4639	3198	808	4006	86%	0	4006	86%	
Heating	5900	4158	862	5020	85%	347	5367	91%	
Windows	2500	1884	438	2322	93%	13	2335	93%	
Roofing	2319	1132	670	1802	78%	0	1802	78%	
Render / EWI	3276	1063	1098	2161	66%	0	2161	66%	

Acceptable fails represent those tenants declining WHQS works to their properties, these are currently in the process of being reviewed for changes in circumstances.

## STRATEGIC REPORT

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The programmes for 2016/17 are designed, in line with loan agreements, to deliver the maximum benefit possible to tenants and leaseholders with £39m in improvements planned for 2016/17.

### 2 Regulatory Assessment

The latest regulatory assessment by The Welsh Government assessed NPT Homes against 16 housing sector risks and identified improvement actions in respect of 4:

- Governance
- Risk Management
- Existing Stock
- Service Risks

The full report can be viewed on the NPT Homes website or on the Welsh Government website at <http://gov.wales/docs/desh/publications/150320-npt-homes-limited-en.pdf>

During 2015/16 the regulators have continued to engage with us, attending tenant events and meeting with staff and the senior executive team.

### 3 Monitoring Performance

All businesses use measurements to assess how well they are performing. These measures are used to manage operational activity, assist with service improvement and provide information to assist the Board and the Senior Management Team (SMT) with strategic and other relevant business information.

NPT Homes' Board and SMT receive regular operational and strategic information through the year on various aspects of its performance. During the year, the organisation has used a 'balanced scorecard' of key performance indicators (KPIs) covering 4 areas:

- Customer
- Finance
- Internal Process
- Innovation, Learning and Growth

This provides the Board and SMT with a regular picture of the health of the business.

A suite of strategic and key performance indicators (SPIs and KPIs) has been developed and aligns performance indicators to the corporate plan. This system helps to support and manage our processes of data collection and performance monitoring. Some of our SPIs and KPIs used during the year are as follows:

## STRATEGIC REPORT

The strategic performance indicators which were measured during the year were:

Financial Viability  
 Judgement



The organisation holds the highest possible assurance from the Welsh Government’s financial viability judgement in receiving its ‘pass’ rating. The Welsh Government has determined that the organisation “has adequate resources to meet its current and forecasted future business and financial commitments”.

CHC Code of  
 Governance



An independent assessment verified that NPT Homes is compliant with Community Housing Cymru’s Code of Governance within just one year of it being launched.

Community  
 Reinvestment



For every £1 spent on our major works programme a further £1.99 is reinvested in our local community out of a maximum achievable £2.

Increase in property  
 for letting



31 March 2016

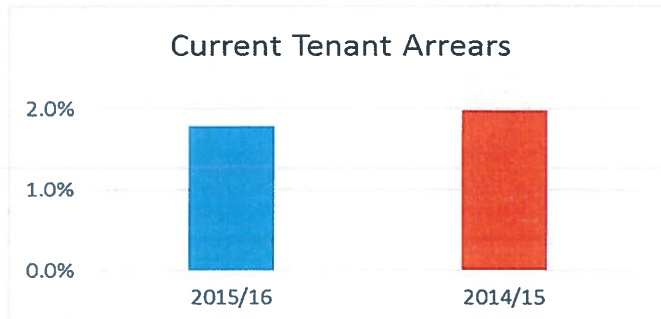


31 March 2015

Through the purchase and development of new properties we have added to our stock during the year.

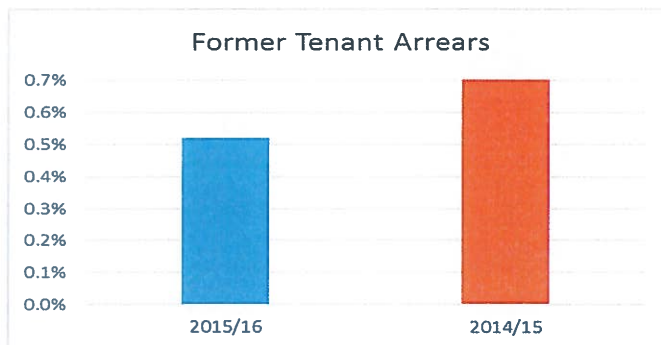
## STRATEGIC REPORT

The key performance indicators which were measured during the year were:



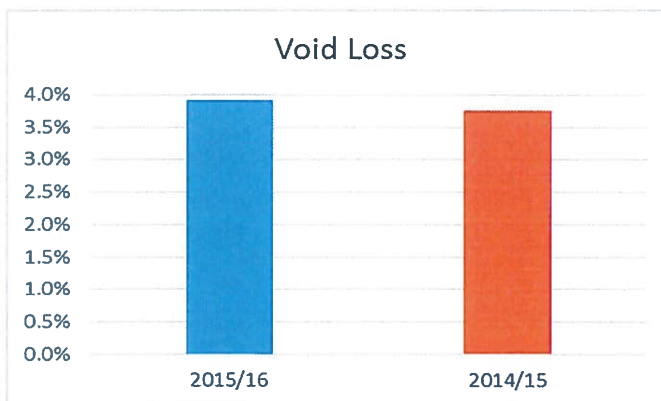
Percentage of rent owed by current tenants (net of Housing Benefit due)

This indicator measures the effectiveness and efficiency of NPT Homes' rent arrears collection service.



Percentage of rent owed by former tenants (relating to the last 12 months)

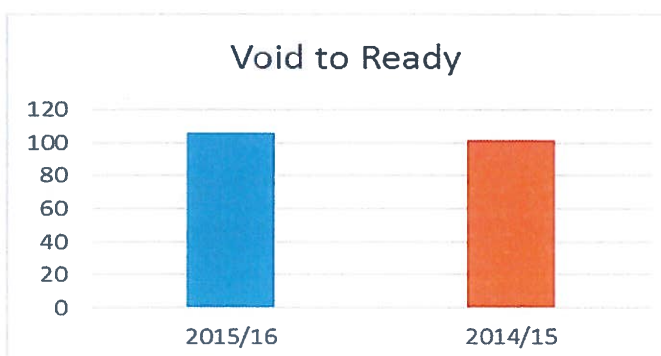
This indicator identifies whether NPT Homes is successfully preventing former tenant arrears from arising and how we are performing in terms of collecting former tenant debt.



Percentage of rent lost on our empty properties

This indicator measures the amount of rental income lost to the organisation due to empty properties.

*The increased void loss is due to a small number of additional Haven Housing units empty during refurbishment works.*

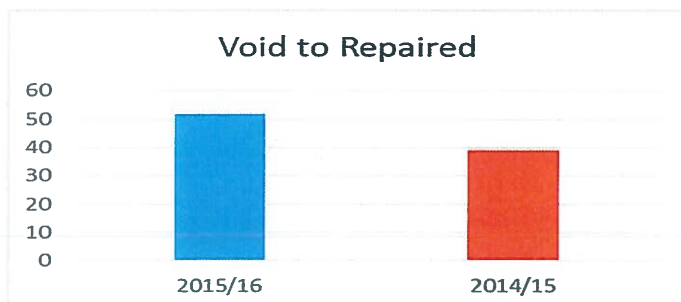


Average time to takes to make our empty homes available to let

This indicator measures the amount of days from end of one tenancy to the beginning of another. It is a measure of the time it takes to turn our empty properties back into use.

*The increase in average time shown is due to the completion of works on long term void properties during the year.*

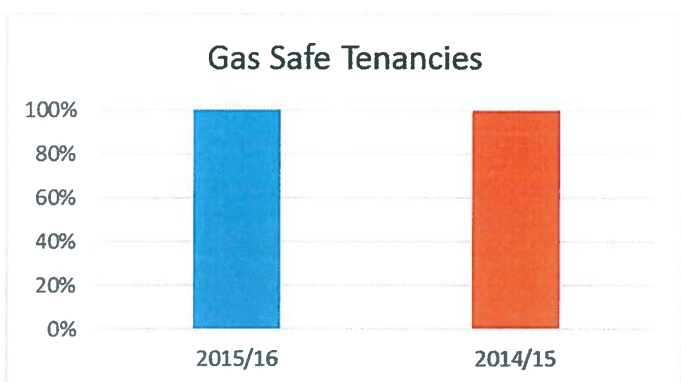
## STRATEGIC REPORT



Average time it takes us to repair our empty homes ready for a new tenant

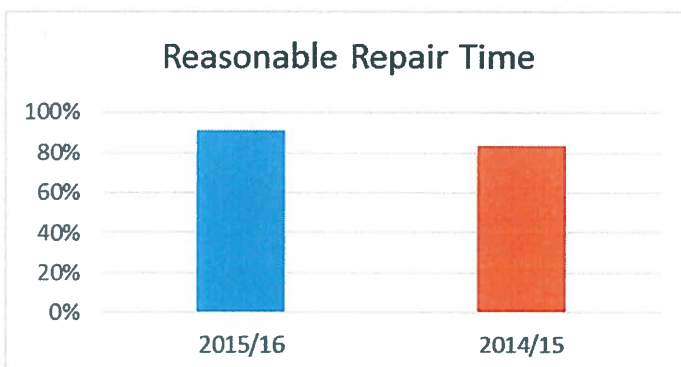
This indicator measures the amount of construction time is involved in turning our empty properties back into use.

*The increase is as Void to Ready above.*



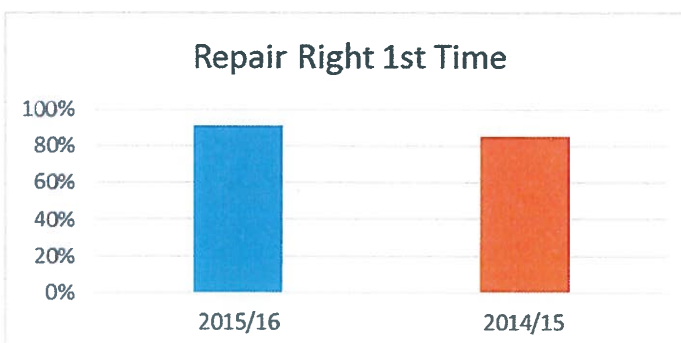
The percentage of our tenants' homes that are gas safe

This indicator measures the percentage of properties that have a valid gas record. Where access is initially refused by tenants action is taken to ensure the gas record is brought up-to-date as soon as possible.



The percentage of our tenants who felt the repair was completed within a reasonable timescale

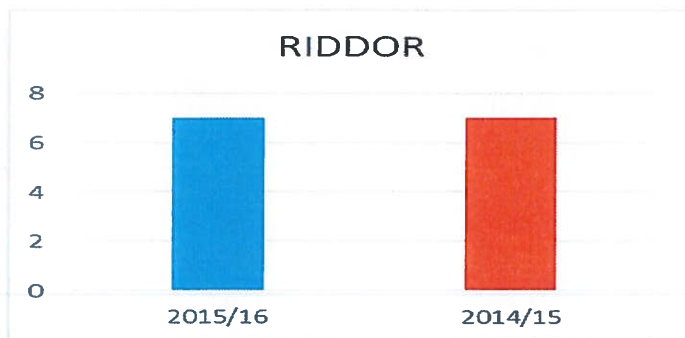
This indicator measures how satisfied tenants are with the time taken to undertake a repair.



The percentage of our tenants who felt the repair was completed right first time

This indicator helps to indicate how satisfied tenants are with the quality of a repair in addressing their issues on a first time fix.

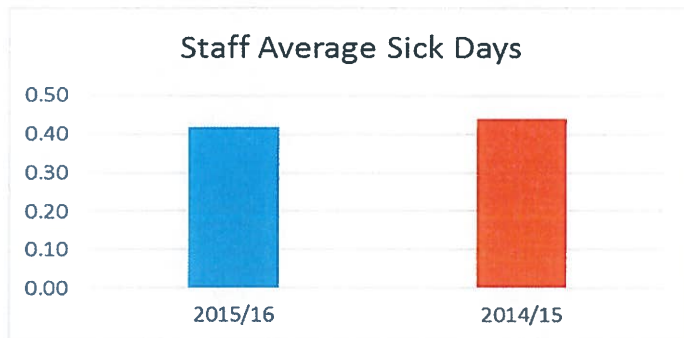
## STRATEGIC REPORT



How many injuries, diseases or dangerous occurrences we had to report to the Health & Safety Executive (HSE)

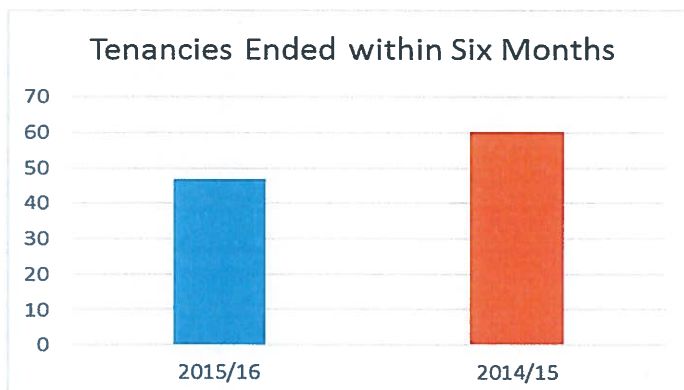
This indicator measures the number of RIDDOR reports.

RIDDOR – Reporting of injuries, diseases and dangerous occurrences.



How many days on average per month are our staff on sick leave

This measure enables us to monitor the level of short term and long term sickness absence.



How many tenants leave our properties within the first six months

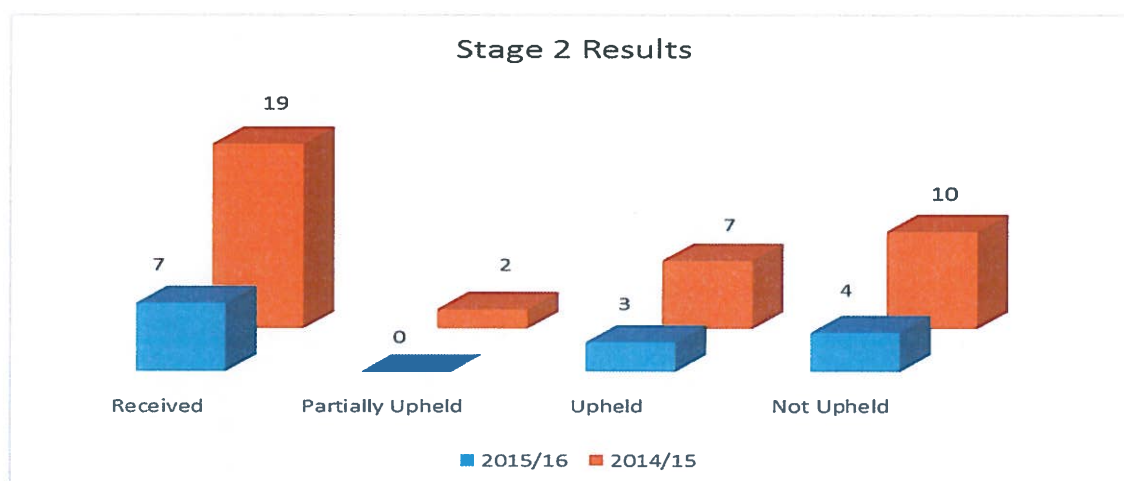
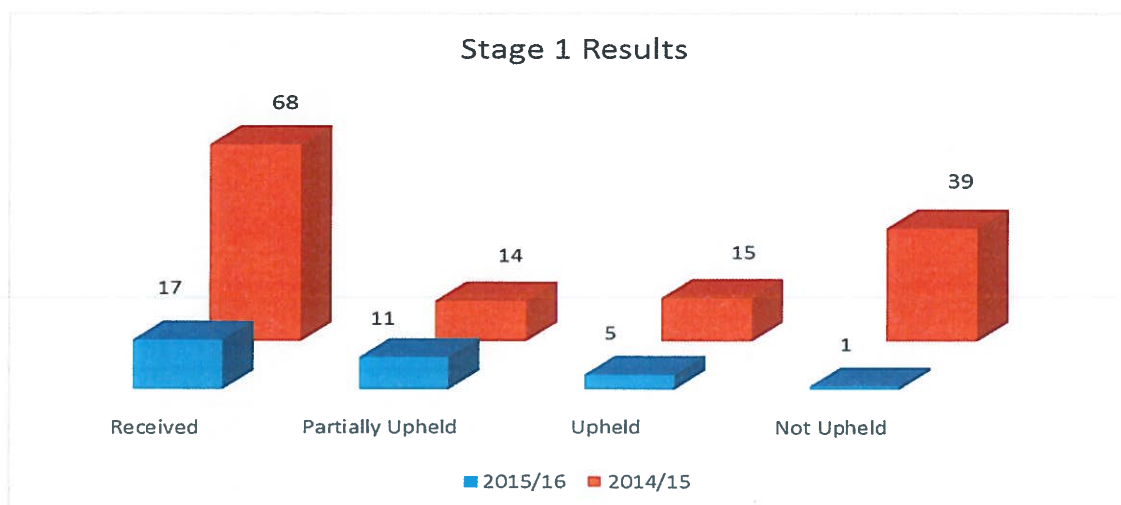
This indicator measures the number of tenancies ending with six months of letting the property. This helps provide an indication of the sustainability levels for new tenancies.

### 3. Complaints

The handling of complaints changed in October 2015 when the existing Co-ordinator role was replaced by a Customer Liaison Officer. This role sits within the Organisational Development Team. The new role involves meeting tenants to discuss their complaints face to face and developing an understanding of the key themes emerging from complaint handling. This is invaluable as it helps us understand why concerns develop into complaints and more importantly look for the root cause to prevent future complaints. The Organisation Development Team administered a total of 222 complaints during 2015/16 broken down as follows:

- Informal Complaints – 197 received
- Stage 1 Complaints – 17 received
- Stage 2 Complaints (referred to SMT for investigation) 7 received (3 upheld, 4 not upheld)
- Ombudsman – 1 received (not upheld)

## STRATEGIC REPORT



There has been a significant reduction in Stage 1 and Stage 2 complaints from April 2015 to September 2015 and a further reduction from October 2015 to March 2016 when the new Customer Liaison Officer role was introduced.

#### 4. Our work in the community

##### Community Development Fund 2015/16

The Community Development Fund allows tenants, residents, community groups and schools within the Neath Port Talbot County Borough to apply for a grant of up to £5,000 to improve their neighbourhood or community through identifying environmentally themed projects that can provide added value and wider community benefit.

Four projects were approved in June 2015:

- Forward 4 Fairyland (Tenant/Resident Group) - £4,700
- Rhos Primary School - £4,480
- Tonna Primary School - £2,680
- St Joseph's School - £5,000

**Total Grant Amount Awarded - £16,860**

## STRATEGIC REPORT

All the schools focused on the creation of outdoor learning spaces with growing areas and community gardens, whilst the 'Forward 4 Fairyland' group developed a community space which included a painted floor marking games, a wall mural and a growing area. This space will then be maintained by the group and used for community events.



### Community Challenge 2015/16

Our Community Challenge began as a direct result of the community benefit requirements that have been included in all procurement contracts drawn up by NPT Homes. During 2015/2016 we completed 5 community challenge projects which saw contractors spend a day with members of the local community and NPT Homes in order to undertake a building or maintenance activity.

- Alltwen Primary School (pictured above) - benefitted from having their playground repainted and work carried out on the flower beds, Wendy house, sandpit, gates and shed with donations from both Dulux and Buildbase for the paint and equipment.
- Tai'rgwaith Primary School - NPT Homes staff, Spotless Recruitment and WHQS contractors Jistcourt, carried out a full day of free painting and decoration in the school yard, painting picnic tables and benches. Jistcourt also erected a new fence, gate and awning.
- Neath Abbey Infants School - received support by transforming part of the school grounds into an outdoor learning space and community garden. NPT Homes staff also cleared the grounds and installed new raised beds and planters.
- St Mary's Church Hall - the work carried out included the installation of a new boiler and heating system with new radiators in the main hall, kitchen and toilets.
- Alltycham and Rhyd-y-Fro Community Hall – all areas of the main hall were made good and redecorated, involving painting to the walls, skirting boards and door frames.



## STRATEGIC REPORT

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### Health and Safety and Staff Wellbeing

The organisation continues to maintain and develop its best practice for health and wellbeing and will be revalidating its Welsh Government Gold Standard corporate health award at the end of the year. Early 2017 will also see a submission for the prestigious platinum award.

The gold award demonstrates our commitment to the health and wellbeing of our employees, the platinum award demonstrates our commitment to corporate social responsibility and the community in which we serve.

#### Key Points for 2015/2016

- Sickness absence for year was 2.06%. We continue to be under the Welsh and UK average which was around 3.4%. Our aim for 2016/17 is to continue to understand barriers to supported return to work and identify suitable rehabilitative measures to suit
- We have launched our Well@Work Programme, which included a health awareness day
- Certification of our Safety Management System to the BS-OHSAS-18001-2007 standard was achieved in March 2016
- 29 workplace accidents were reported (2014/15: 35); of these, 3 (2014/15: 4) were reportable to the Health and Safety Executive (HSE) through RIDDOR (Reporting of Injuries, Disease and Dangerous Occurrences Regulations)
- There were also 4 (2014/15: 2) RIDDOR reports made for diagnosed industrial disease cases of Hand Arm Vibration Syndrome (HAVS)
- 87 (2014/15: 42) incidents were recorded of which none (2014/15: 1) were RIDDOR reportable. During the year we improved our process for identifying and recording incidents, the majority of which were due to reports of potential threats to staff or contractors and a small number of property damage reports due to work activities.

### Equality and Diversity

#### Leading Diversity by 2020 Challenge

Last summer NPT Homes signed up to Chartered Institute of Housing's Leading Diversity by 2020 challenge which called on the housing sector to deliver on 10 challenges to increase diversity in leadership by 2020. Research showed that leadership in the housing sector "is too white, too old and too male." NPT Homes has completed the first year of the challenge and has already increased the diversity on our Board as a result of taking up the challenge. When three tenant Board Member vacancies arose we identified that we needed to address the age profile of our Board Members as 75% of our Board were over the age of 55 as well as the gender balance with 30% of our Board Members being female. By advertising the vacancies in different places, visiting local employers and local shopping centres we attracted more diverse applicants. At the end of the year 50% of Board Members are now under the age of 55 and over 40% are now

## STRATEGIC REPORT

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female. Having a more diverse Board has encouraged debate at Board meetings and provided a wider perspective on decision making.

### GOVERNANCE

#### Board Structure and Membership

The Board members are drawn equally from the following groups:

<b>Tenant Members</b>	Elected by the tenants of the organisation
<b>Councillors</b>	Who are nominated by NPTCBC
<b>Independents</b>	Who are recruited through an open selection process.

In addition to their individual expertise gained from their own personal and work based experience, all the tenant and councillor Board members bring essential knowledge and expertise about the needs of tenants and local communities in Neath Port Talbot. As these Board members are elected or appointed, no requirements are set that they have particular qualifications or experience. Independent Board members are recruited on merit to bring additional expertise that the Board considers it needs in the housing, property, finance and business fields.

On 31 March 2016 the Board had 12 members (as detailed on page 2).

Each Board member's learning and development needs are identified on an annual basis as part of their appraisal and a robust training programme is delivered to meet their needs. There are a number of mandatory courses including Data Protection, Health and Safety, Equality and Diversity that all Board members must undertake. Other training courses held during 2015/16 included:

- Finance
- Pensions
- Tenant Engagement Strategy

In addition, Board members have attended various conferences and forums during the year including:

- Community Housing Cymru (CHC) Chair's Network
- Welsh Tenants Conference
- CHC Governance Conference

#### Board Responsibilities and Operation

The Board members have a legal obligation to comply with the Rules of the organisation and must promote the success of the organisation. The Board is ultimately responsible for setting the future direction and strategy for the organisation, for determining policies, managing risk and monitoring performance but must ensure that there is active community involvement in these

## STRATEGIC REPORT

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activities. The Board is accountable to the general members when carrying out these responsibilities.

Board meetings are held 11 times a year to discuss and agree the organisation's strategy and policy framework. Day-to-day management and implementation of that framework is delegated to the chief executive and other senior executives who meet regularly and attend Board meetings.

### Board Committees

1. The Audit and Risk Committee – which gives the Board assurance on governance, risk management, internal control and matters relating to finance and risk, including the appointment of internal and external auditors. This Committee acts as the Remuneration Committee when required.
2. Schedule 1 Committee – which meets as and when required with responsibility for matters relating to approval of the use of exemptions under Schedule 1 of the Housing Act 1996 as modified by Housing (Wales) Measure 2011 and approval or rejection of applications for membership of the organisation.
3. Asset Disposals Committee - has delegated responsibility to approve the valuations of non-residential asset sales below £5,000 in order to comply with Schedule 1 of the Welsh Assembly Government Consent under Section 133, Housing Act 1988.

The Board and its Committees obtain external specialist advice from time to time as necessary.

**Approved by the Board on 23 June 2016 and signed on its behalf by:**



**Board Chair**

## BOARD REPORT

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### LEGAL STATUS AND PRINCIPAL ACTIVITY

NPT Homes is authorised and regulated by the Financial Conduct Authority as a registered society under the Cooperative and Community Benefit Societies Act 2014 with charitable rules as a not-for-profit social enterprise. It is a Registered Social Landlord (RSL).

The organisation's principal activities are the management and improvement of housing for rent within the Neath Port Talbot County Borough Council (NPTCBC) Local Authority area.

The organisation is owned by its members, all but one of whom are individuals holding one £1 share and are Board members, residents, local community groups or business members of Neath Port Talbot. The one exception is the Local Authority which also holds one £1 share.

The organisation operates a membership committee which actively seeks engagement with tenants to promote tenant participation within the organisation. NPT Homes encourages more tenants to get in touch with the Tenant Empowerment Team to join or setup a new group, or simply to share their own opinion on the organisation.

### GOING CONCERN

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue operations for the foreseeable future. For this reason the going concern basis has been adopted in these financial statements.

### POST BALANCE SHEET EVENTS

There have been no events since the financial year-end that have had a significant effect on the financial position of the organisation.

### BOARD AND SENIOR EXECUTIVES

The Board members (as detailed on page 2) have held office during the whole of the year and to the date of this report unless otherwise stated. Board members come from a wide background bringing together professional, commercial, tenant and local knowledge and experience.

The senior executives (as detailed on page 3) are appointed by the Board and have held office during the whole of the year and to the date of this report.

The organisation has insurance policies that indemnify its Board members and senior executives against liability when acting on its behalf.

### REMUNERATION OF BOARD AND SENIOR EXECUTIVES

#### Board

Board members do not receive any remuneration for their services. They receive expenses to reimburse costs incurred, for example, in attending Board meetings.

## BOARD REPORT

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### Senior Executives

- **Policy**

The Board agrees the appointment of senior executives and their remuneration.

- **Service contracts**

Three of the four senior executives are appointed on permanent contracts with a three month period of notice. Steve Tucker, Interim Director of Assets, provides his services under a contractor arrangement which can be terminated by either side without giving notice.

- **Pensions**

The three senior executives on permanent contracts are members of the Local Government Pension Scheme which is a defined benefit pension scheme. The senior executives participate in the scheme on the same terms as all other eligible staff. The organisation contributes to the scheme on behalf of its employees.

- **Other benefits**

Senior executives are not entitled to any other benefits over and above those available to all other staff such as those offered through the organisation's lifestyle benefits scheme provided through P&MM Limited.

### EMPLOYEES

The strength of the organisation lies in the quality and commitment of its employees. The organisation's ability to meet its objectives and commitments to tenants in an efficient and effective manner depends on the contribution of employees throughout the organisation.

The organisation continues to provide information on its objectives, progress and activities through regular office and departmental meetings, staff and tenant publications and electronic and billboard communications.

The organisation is committed to the employment of local people and all tenders for work contracted out contain a relevant scored criterion based on using a local workforce. The organisation is further committed to equal opportunities for all its employees and supports the employment of disabled people.

Further information regarding staff can be seen in the Strategic Report, page 24.

### HEALTH AND SAFETY

The Board is aware of its responsibilities on all matters relating to health and safety. The organisation has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

## BOARD REPORT

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### WELSH LANGUAGE SCHEME

A copy of NPT Homes' Welsh Language Scheme Tracking report to the Welsh Language Commissioner is available at our head office Tŷ Gwyn, on our website [www.npthomes.co.uk](http://www.npthomes.co.uk), or by telephoning 01639 505854.

### MODERN SLAVERY ACT 2015

New legislation was introduced last year which now requires us to produce an annual slavery and human trafficking statement.

A copy of NPT Homes' Anti-Slavery and Human Trafficking Annual Statement is available at our head office Tŷ Gwyn, on our website [www.npthomes.co.uk](http://www.npthomes.co.uk), or by telephoning 01639 505854.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board acknowledges its responsibility for the management of the organisation's assets to ensure its long-term financial viability and the delivery of its business strategy for the benefit of its tenants. The management of risk is acknowledged to be a top priority of the Board with detailed monitoring performed by the Audit and Risk committee. For further information on the organisation's risk strategy, see page 12 of the Strategic Report.

### INTERNAL CONTROL

The Board acknowledges that it is ultimately responsible for ensuring that a system of internal control and risk management is in place that is appropriate to the business and its operating environment and that the effectiveness of controls are regularly reviewed throughout the year.

The Board is committed to these responsibilities having appointed the external auditor and external independent internal auditor who work in partnership with other similar organisations to promote best practice and increased business intelligence.

Through the Audit and Risk Committee, the Board reviews the effectiveness of the systems of internal control by approving the work programme for internal audit, which reflect the main risks identified in the organisation's strategic risk register. Outcomes of both internal and external audit reviews are considered by the Committee with all recommendations appropriately acted upon.

In addition, the Board and Committees receive regular reports from the executive on all matters, including performance and governance. These reports are explicitly linked to the organisation's risks, governance and finances along with all other areas relating to Offer Document Promises.

As part of the holistic view of internal control the organisation has implemented a number of key processes to its system of internal control:

- Policies and procedures are in place that are well regulated and reviewed
- Monthly management reports are tailored to each strategic level that report revenue and costs; these are designed to identify any exceptions or lack of control

## BOARD REPORT

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- IT systems have been implemented to create a more efficient and effective operating environment that comes with a greater degree of transparency and control
- Experienced and suitably qualified staff are employed, and performance monitored through regular one-to-one meetings and annual appraisals; each staff members' goals, objectives and deliverables are aligned to that of the organisation
- All items of capital expenditure and/or major commitment are subject to formal authorisation procedures requiring executive approval prior to seeking Board approval.

The Audit and Risk Committee has reviewed the effectiveness of the system of internal control in the organisation for the year ended 31 March 2016. No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements and the Board is not aware of any such weaknesses from 1 April 2016 to date.

### DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each of the persons who are Members and Senior Executives of the organisation at the date when this report was approved:

- So far as each are aware, there is no relevant audit information (as defined in relevant legislation) of which the organisation's auditor is unaware; and
- Each have taken all steps that they ought to have taken to make them aware of any relevant audit information (as defined) and to establish that the organisation's auditor is aware of that information.

### STATEMENT OF BOARD'S RESPONSIBILITIES

The Board is responsible for preparing the Report and Financial Statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and other legislation covering registered social landlords require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the organisation and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the organisation's transactions and disclose with reasonable accuracy at any time the financial position of the organisation and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, Schedule 1 to the

## BOARD REPORT

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Housing Act 1996, (as modified by the Housing (Wales) Measure 2011), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. It is also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the organisation's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 26 July 2016.

**Approved by the Board on 23 June 2016 and signed on its behalf by:**



**Board Chair**



## Independent auditor's report to the members of NPT Homes Limited

We have audited the financial statements of NPT Homes Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Reserves and the related notes. 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), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

### Respective responsibilities of the Board and auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 30, the Board is 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. This report is made solely to the organisation's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the organisation'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 organisation and its members as a body for our audit work, for this report, or for the opinions we have formed.

We have reviewed the Board's statement on the organisation's compliance with the Welsh Government circular RSL 02/10 'Internal controls and reporting'. We are not required to express an opinion on the effectiveness of the organisation's system of internal control.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the organisation's affairs as at 31 March 2016 and of the organisation's surplus for the year then ended;

## INDEPENDENT AUDITOR'S REPORT

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- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

### **Opinion on the other matter prescribed by the Welsh Government circular RSL 02/10 'Internal controls and reporting'**

With respect to the Board's statement on internal control, in our opinion, the Board has provided the disclosures required by the Welsh Government circular RSL 02/10 'Internal controls and reporting' and the statement is not inconsistent with the information of which we are aware from our audit work on 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 Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion;

- the organisation has not kept proper books of account; or
- a satisfactory system of control over transactions has not been maintained; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

*Mazars LLP*

**Mazars LLP**

**Chartered Accountants and Statutory Auditor  
45 Church Street  
Birmingham  
B3 2RT**

Date: *5 July 2016*

**STATEMENT OF COMPREHENSIVE INCOME**  
**At 31 March 2016**

	Note	2016 £'000	2015 £'000
<b>Turnover</b>	<b>3</b>	44,567	42,484
Operating expenditure	3	(28,607)	(25,891)
<b>Operating surplus</b>	<b>3</b>	<b>15,960</b>	<b>16,593</b>
Surplus on disposal of fixed assets	4	1,493	910
Interest receivable	5	78	57
Interest and financing costs	6	(4,083)	(2,876)
Local Government Pension Scheme (LGPS) net financing loss	30	(490)	(450)
<b>Surplus before taxation</b>		<b>12,958</b>	<b>14,234</b>
Taxation	10	-	-
<b>Surplus for the year</b>		<b>12,958</b>	<b>14,234</b>
Actuarial gain/(loss) in respect of pension scheme	30	2,050	(3,620)
<b>Total comprehensive income for the year</b>		<b>15,008</b>	<b>10,614</b>

All items dealt with in arriving at the surplus for the year relate to continuing activities.

## STATEMENT OF FINANCIAL POSITION

### At 31 March 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Housing properties	11	119,127	83,708
Other fixed assets	12	4,922	5,406
Intangible assets	13	207	350
		<b>124,256</b>	<b>89,464</b>
<b>Current assets</b>			
Stocks	14	67	78
Debtors	15	247,467	279,183
Cash at bank and in hand		27,542	11,255
		<b>275,076</b>	<b>290,516</b>
Creditors: amounts falling due within one year	16	(50,850)	(38,446)
<b>Net current assets</b>		<b>224,226</b>	<b>252,070</b>
<b>Total assets less current liabilities</b>		<b>348,482</b>	<b>341,534</b>
Creditors: amounts falling due after more than one year	17	(276,132)	(283,742)
		<b>72,350</b>	<b>57,792</b>
Pensions liability	30	(15,460)	(15,910)
<b>Net assets</b>		<b>56,890</b>	<b>41,882</b>
<b>Capital and reserves</b>			
Non-equity share capital	20	-	-
Revenue reserve		56,890	41,882
<b>Total capital and reserves</b>		<b>56,890</b>	<b>41,882</b>

The financial statements on pages 34 to 69 were approved by the Board of Management on 23 June 2016

Signed on behalf of the Board:



Board Chair



Board Member



Secretary

**STATEMENT OF CHANGES IN RESERVES**  
**At 31 March 2016**

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	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	<b>41,882</b>	31,268
Surplus for the year	12,958	14,234
Actuarial gain/(loss)	2,050	(3,620)
<b>At 31 March</b>	<b>56,890</b>	41,882

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 March 2016**

	Note	2016		2015	
		£'000	£'000	£'000	£'000
<b>Net cash generated from operating activities</b>	<b>25</b>		<b>21,190</b>		<b>21,906</b>
<b>Cash flow from investing activities</b>					
Purchase of tangible fixed assets		(36,825)		(28,386)	
Proceeds from sales of tangible fixed assets		1,672		992	
Grants received		57		76	
Interest received		78		57	
			<b>(35,018)</b>		<b>(27,261)</b>
<b>Cash flow from financing activities</b>					
Interest paid		(3,785)		(2,695)	
New loans		33,900		15,975	
Repayment of borrowing		-		(1,000)	
			<b>30,115</b>		<b>12,280</b>
<b>Net change in cash and cash equivalents</b>			<b>16,287</b>		<b>6,925</b>
Cash and cash equivalents at beginning of the year			11,255		4,330
Cash and cash equivalents at the end of the year			<b>27,542</b>		<b>11,255</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP) and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. NPT Homes is a public benefit entity, as defined in FRS 102, and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

NPT Homes also adopts the going concern basis in preparing the annual report and financial statements. The accounting policies within this note have been applied consistently.

#### **Statement of compliance**

This is the first year the organisation has prepared its financial statements in accordance with FRS 102, accordingly the financial information as at 1 April 2014 (being the date of transition) and for the year ended 31 March 2015 have been restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 31.

#### **Turnover**

Turnover represents rental and service charges receivable (net of rent and service charge losses from empty properties). It also includes revenue grants reimbursing specific expenditure items and other sundry income receivable. Rental and service charge income is recognised in line with tenancy and lease agreements.

#### **Social Housing Grant and other Government grants**

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

## NOTES TO THE FINANCIAL STATEMENTS

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### Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

On disposal of an asset for which a Government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in the Statement of Comprehensive Income.

### Capital Expenditure

Capital expenditure is defined as expenditure where the benefits last more than 12 months and relates to the acquisition, creation or enhancement of a fixed asset such as land, housing properties, new buildings, vehicles, furniture and equipment. This is different to revenue spending, which covers day-to-day items to run services such as staffing and purchase of services.

A de-minimis cost threshold of £1,000 for capitalisation applies.

Any abortive costs incurred relating to developments that do not proceed are written off to the Statement of Comprehensive Income in the year identified as abortive.

### Intangible Assets

Intangible assets are stated at historic cost, less accumulated amortisation and any provision for impairment. Amortisation is provided on all intangible assets at rates calculated to write off the costs of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	2-5 years
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### Fixed Assets

Fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. The surplus or deficit made on the disposal of fixed assets is recognised in the Statement of Comprehensive Income in the period of disposal.



## NOTES TO THE FINANCIAL STATEMENTS

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### Housing Properties

Housing Properties are those available for rent.

Housing properties principally comprise:

1. The properties transferred from Neath Port Talbot County Borough Council (NPTCBC) on 4 March 2011 which were initially recorded at nil cost and subsequently include the value of the works required to bring them up to Welsh Housing Quality Standard.
2. Purchased properties cost is the cost of acquiring the property plus associated fees and works required to bring them into use.
3. New development is where new homes are commissioned and built. These properties are held at cost. The development cost of properties includes the following:
  - cost of land and buildings
  - professional fees
  - management costs directly related to the development scheme
  - interest incurred during the development period is capitalised and added to the cost of completed housing properties based on the organisation's net investment and its average borrowing costs during the year
  - provision for the cost of work completed but not paid for at the year end.

The cost of housing properties includes directly attributable costs in bringing them into working condition for their intended use or developing new properties. Directly attributable costs are the labour costs of the organisation's employees arising directly from the construction or acquisition of property and incremental costs that would have been avoided only if individual properties had not been constructed or acquired.

Expenditure on existing housing properties is capitalised to the extent that it improves the economic benefit of the asset. Such enhancement can occur if the improvements result in either:

- an increase in rental income
- a material reduction in future maintenance costs
- a significant extension to the life of the property.

Only main component improvements that meet these criteria are capitalised and these are depreciated over their estimated component life span, on a straight line basis.

Depreciation periods are shown below. All other costs are written off to the Statement of Comprehensive Income as incurred.

## NOTES TO THE FINANCIAL STATEMENTS

Surpluses or deficits on sale of properties are recognised at the date a sale becomes certain. The surplus or deficit is the difference between the sale price and the aggregate of the depreciated cost and any allocated cost of disposal such as legal and valuation fees.

### Depreciation

#### *Freehold Land*

Freehold land is not depreciated.

#### *Housing Properties and office premises*

Depreciation of buildings is charged by component so as to write down the net book value to their residual value on a straight line basis over their estimated useful economic lives to the business.

The estimated economic lives of the principal components are as follows:

Traditional housing structures	100 years
Office structures	100 years
Roofs	50 years
External render	25 years
External wall insulation	25 years
Whole house rewires	30 years
Windows	25 years
Bathrooms	25 years
Kitchens	15 years
Central heating boilers	15 years
Door entry systems	15 years

#### *Other Fixed Assets*

Depreciation is calculated to write off the cost of the fixed asset less any residual value, on a straight line basis over its estimated useful economic life. The rates used for other assets are:

Motor vehicles	5 years
Office furniture and other equipment	5-10 years
IT	2-5 years

## NOTES TO THE FINANCIAL STATEMENTS

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### **Impairment**

Housing properties are subject to an annual impairment review in accordance with FRS 102. Any impairment of fixed assets is written down to the recoverable amount and the write down is charged to the Statement of Comprehensive Income.

### **Investments**

All investments are held at cost less any provision for impairment.

### **Financial instruments**

#### **Financial assets carried at amortised cost**

Financial assets comprise rent and service charge arrears, other debtors, prepayments and cash and cash equivalents. Where the effect of discounting is material, financial assets are measured at amortised cost using the effective interest method. At the reporting date, the effect of discounting is not material to the value of the financial assets of NPT Homes, so discounting is omitted.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

#### **Financial liabilities carried at amortised cost**

Financial liabilities include trade and other creditors and interest bearing loans and borrowings.

Loans which are classed as basic financial instruments under FRS 102 are measured at amortised cost using the effective interest method, with interest and related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

### **Stocks**

Stocks are stated at the lower of cost or net realisable value.

### **Bad and Doubtful Debts**

Provision is made against rent and service charge arrears for both current and former tenants and against sundry debts to the extent that they are considered by management as irrecoverable.

## NOTES TO THE FINANCIAL STATEMENTS

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### Operating Leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income in the period to which they relate. Operating lease premiums are accounted for within debtors as lease prepayments and are amortised over the life of the lease period.

### Interest and Financing Costs

Financing costs are interest and other costs incurred in connection with the borrowing of funds, including fees paid to financing parties for their commitments to lend money to NPT Homes in the future. Borrowing costs are amortised over the period that the company derives benefit from a financial instrument, such as a loan, using the effective interest rate method.

### Pension Costs

The organisation is a member of the Local Government Pension Scheme (LGPS), a defined benefit scheme operated by The City and County of Swansea. Contributions are assessed in accordance with the advice of an independent actuary. In accordance with FRS 102, the Fund is valued by a qualified independent actuary in order to ascertain the value of the Fund at the year end. For more information see Note 30.

### Taxation

NPT Homes is treated as a charitable organisation for taxation purposes. This was confirmed by HM Revenue & Customs (HMRC) on 1 February 2011, (effective date 15 September 2010, ref no XT26558). Consequently, the surpluses derived from primary charitable activities are exempt from taxation. This treatment is reviewed annually in line with the activities undertaken by the organisation to ensure the exemption still applies.

### Value Added Tax (VAT)

The organisation is registered for VAT. A large proportion of its income, rents and service charges, is exempt for VAT purposes thus giving rise to a partial exemption calculation whereby the organisation is only able to recover a proportion of its input VAT. An approved VAT Shelter is in place for housing stock transferred from NPTCBC such that VAT on works carried out under the VAT Shelter is fully recoverable.

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. SIGNIFICANT MANAGEMENT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### SIGNIFICANT MANAGEMENT JUDGEMENTS

The following are management judgements in applying the accounting policies of the organisation that have the most significant effect on the amounts recognised in the financial statements.

##### Impairment of social housing properties

The organisation have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. No indicators of impairment have been identified as existing at the year end.

#### ESTIMATION UNCERTAINTY

The organisation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### Bad and Doubtful Debts

Provision is made against rent and service charge arrears for both current and former tenants and against sundry debts to the to the extent that they are considered by management not to be recoverable at their full value. The level of provision is based on historical experience and future expectations.

## NOTES TO THE FINANCIAL STATEMENTS

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### **Economic life of Assets**

An estimation of the useful economic life of the organisation's assets are determined by management and disclosed in Note 1: Accounting Policies. The estimates are based on industry standards adjusted to reflect our own experience, quality of components and maintenance procedures.

### **Defined benefit pension scheme**

The organisation has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management uses independent actuaries to advise on suitable estimates for these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS	2016 £'000	2015 £'000
<b>Income</b>		
Rents receivable	35,897	34,366
Service charges receivable	1,254	807
	<b>37,151</b>	<b>35,173</b>
Welsh Government Dowry	6,200	6,200
Supporting People grants	353	385
Amortisation of Social Housing & other Government grants	178	161
Other income from social housing lettings	685	565
<b>Turnover from social housing lettings</b>	<b>44,567</b>	<b>42,484</b>
<b>Expenditure</b>		
Management costs	6,864	5,803
Service costs	5,505	5,257
Maintenance costs	10,504	10,432
Rent losses from bad debts	211	281
Depreciation	5,523	4,118
<b>Operating costs on social housing lettings</b>	<b>28,607</b>	<b>25,891</b>
<b>Operating surplus on social housing lettings</b>	<b>15,960</b>	<b>16,593</b>
Rent loss due to voids (memorandum note)	<b>(1,456)</b>	<b>(1,321)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4. SURPLUS ON DISPOSAL OF FIXED ASSETS

	2016 £'000	2015 £'000
Disposal proceeds	1,689	1,008
Disposal costs	(196)	(98)
<b>Surplus on disposal</b>	<b>1,493</b>	<b>910</b>

### 5. INTEREST RECEIVABLE

	2016 £'000	2015 £'000
Bank and short term deposit interest receivable	78	57

### 6. INTEREST AND FINANCING COSTS

	2016 £'000	2015 £'000
Bank interest payable and similar charges	2,911	1,603
Non-utilisation fees	933	1,115
Amortisation of deferred financing costs	239	158
	<b>4,083</b>	<b>2,876</b>

Bank interest payable and similar charges includes security and other fees paid. Non-utilisation fees relate to charges incurred on the loan balance not yet drawn.

Amortisation of deferred financing costs represents the allocation to the current year of arrangement fees for the loan facility combined with the effect of smoothing interest charges over the life of the loan using the effective interest rate method.



## NOTES TO THE FINANCIAL STATEMENTS

### 7. OPERATING SURPLUS

	2016 £'000	2015 £'000
<b>Operating surplus for the year is stated after charging:</b>		
Depreciation and amortisation of fixed assets	5,523	4,118
Amortisation of deferred Government grants	(178)	(161)
Operating leases		
- Property	95	79
- Vehicles	345	311
- Other	182	160
Auditor's remuneration (inclusive of VAT)		
- Statutory audit fees	23	21
- Other professional fees	2	4

## NOTES TO THE FINANCIAL STATEMENTS

### 8. EMPLOYEE NUMBERS AND COSTS

The average monthly number of staff - full time equivalent, comprising of the following service areas, was:

	2016 Number	2015 Number
Central support services	81	66
<b>Operational delivery</b>		
Landlord services	61	60
Specialist services	93	97
Property maintenance	164	174
Investment & regeneration	91	87
	<b>409</b>	<b>418</b>
<b>Total</b>	<b>490</b>	<b>484</b>

The basis of the calculation of full time equivalent number of employees is the total number of employees paid in each month divided by a standard 37 hour week, shown as an annual average.

The aggregate employment costs of these persons were as follows:

	2016 £'000	2015 £'000
Wages and salaries	12,622	11,775
Social security costs	879	829
Other pension costs - employer's contributions payable	1,860	1,730
Other pension costs - difference between current and past service cost and contributions payable	1,110	700
<b>Total</b>	<b>16,471</b>	<b>15,034</b>

## NOTES TO THE FINANCIAL STATEMENTS

9. BOARD MEMBERS' AND DIRECTORS' REMUNERATION	2016 £'000	2015 £'000
<b>Directors</b>		
Salaries and fees	402	390
Pension contributions	50	49
	452	439

Social security costs and irrecoverable VAT on fees which are costs to the organisation are not included in directors' remuneration.

### Board members

No remuneration was paid to Board members during the year (2015: £nil). The total of expenses paid to the Board was £570 (2015: £1,539)

Remuneration of the highest paid director, excluding pension	2016 £'000	2015 £'000
Salary	122	120

The highest paid director (Chief Executive) is an ordinary member of the LGPS pension scheme and no enhanced or special terms apply. NPT Homes' contribution in respect of the Chief Executive's pension fund amounted to £19,828 (2015: £19,440)

The full time equivalent number of directors who received remuneration, including pension contributions but excluding social security costs, in excess of £50,000 are shown below:

	2016 Number	2015 Number
£90,000 - £99,999	1	1
£100,000 - £109,999	2	2
£130,000 - £139,999	-	1
£140,000 - £149,999	1	-

## 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The organisation is registered with charitable status and is a registered society under the Co-operative and Community Benefit Societies Act 2014. It benefits from corporation tax exemptions available to charitable bodies. On the basis that its activities fall within its charitable purposes and its funds are applied only for these purposes, no provision for corporation tax is made.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. FIXED ASSETS - HOUSING PROPERTIES

	Freehold Land £'000	Freehold Housing Properties held for letting £'000	Freehold Housing Properties under construction £'000	Total £'000
<b>Cost</b>				
At beginning of year	69	89,585	1,297	<b>90,951</b>
Reclassification	32	(32)	-	-
Transfers on completion	-	1,297	(1,297)	-
<b>Additions during the year:</b>				
Completed properties acquired	74	1,079	-	<b>1,153</b>
Components capitalised	-	39,163	-	<b>39,163</b>
Works to existing properties	-	249	-	<b>249</b>
Disposals during the year	-	(200)	-	<b>(200)</b>
At 31 March 2016	<b>175</b>	<b>131,141</b>	-	<b>131,316</b>
<b>Depreciation</b>				
At beginning of year	-	(7,243)	-	<b>(7,243)</b>
Charged during the year	-	(4,968)	-	<b>(4,968)</b>
Eliminated on disposals	-	22	-	<b>22</b>
At 31 March 2016	-	<b>(12,189)</b>	-	<b>(12,189)</b>
<b>Net book value</b>				
<b>At 31 March 2016</b>	<b>175</b>	<b>118,952</b>	-	<b>119,127</b>
At 31 March 2015	69	82,342	1,297	<b>83,708</b>

	Cost £'000	Dep'n £'000	2016 £'000	2015 £'000
<b>Housing properties held for letting comprise:</b>				
Freehold land	175	-	175	101
Freehold property capitalised repairs, replacements and improvements	125,652	(11,870)	113,782	79,604
Freehold property constructed	3,717	(256)	3,461	2,040
Freehold property under construction	-	-	-	1,297
Freehold property acquired	1,772	(63)	1,709	666
	<b>131,316</b>	<b>(12,189)</b>	<b>119,127</b>	<b>83,708</b>

## NOTES TO THE FINANCIAL STATEMENTS

Houses and bedspaces in management at the end of the year	2016 Number	2015 Number
Housing accommodation		
General needs	8,671	8,661
Sheltered accommodation (Haven Housing)	473	472
	<b>9,144</b>	<b>9,133</b>
Leasehold management services	585	602
	<b>9,729</b>	<b>9,735</b>

### 12. OTHER FIXED ASSETS

	Office premises £'000	Motor vehicles £'000	Office furniture and equipment £'000	IT £'000	Total £'000
<b>Cost</b>					
At beginning of year	4,991	424	99	1,706	<b>7,220</b>
Additions during the year	-	-	39	73	<b>112</b>
VAT recovered	(142)	-	-	(32)	<b>(174)</b>
Disposals during the year	-	(60)	-	-	<b>(60)</b>
At 31 March 2016	<b>4,849</b>	<b>364</b>	<b>138</b>	<b>1,747</b>	<b>7,098</b>
<b>Accumulated Depreciation</b>					
At beginning of year	(312)	(414)	(43)	(1,045)	<b>(1,814)</b>
Charged during the year	(99)	(4)	(25)	(289)	<b>(417)</b>
Eliminated on disposals	-	55	-	-	<b>55</b>
At 31 March 2016	<b>(411)</b>	<b>(363)</b>	<b>(68)</b>	<b>(1,334)</b>	<b>(2,176)</b>
<b>Net book value</b>					
At 31 March 2016	<b>4,438</b>	<b>1</b>	<b>70</b>	<b>413</b>	<b>4,922</b>
At 31 March 2015	4,679	10	56	661	5,406

VAT recovered represents an element of VAT previously incurred and reclaimed via a 'Partial Exemption Special Method' in the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. INTANGIBLE FIXED ASSETS

	<b>Computer software £'000</b>
<b>Cost</b>	
At beginning of year	717
Additions during the year	8
VAT recovered	(13)
At 31 March 2016	<b>712</b>
<b>Amortisation</b>	
At beginning of year	(367)
Charged during the year	(138)
At 31 March 2016	<b>(505)</b>
<b>Net book value</b>	
At 31 March 2016	<b>207</b>
At 31 March 2015	350

VAT recovered represents an element of VAT previously incurred and reclaimed via a 'Partial Exemption Special Method' in this year.

### 14. STOCKS

	<b>2016 £'000</b>	<b>2015 £'000</b>
Stock of materials	<b>67</b>	78

## NOTES TO THE FINANCIAL STATEMENTS

### 15. DEBTORS

	2016 £'000	2015 £'000
<b>Amounts due within one year</b>		
Arrears of rent and service charges	1,687	2,329
Less: Provision for bad and doubtful debts	(381)	(1,012)
	<b>1,306</b>	1,317
VAT Shelter agreement (note 29)	<b>36,296</b>	31,861
Other debtors and prepayments	<b>2,055</b>	1,853
Less: Provision for bad and doubtful debts	(360)	(351)
	<b>39,297</b>	<b>34,680</b>
<b>Amounts due after more than one year</b>		
VAT Shelter agreement (note 29)	<b>207,831</b>	244,127
Other debtors and prepayments	<b>339</b>	376
	<b>208,170</b>	<b>244,503</b>
	<b>247,467</b>	<b>279,183</b>

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Housing loans (note 19)	5,248	-
Trade creditors	8,569	5,902
Taxation and social security	260	242
Rent and service charges received in advance	237	208
Deferred Income: Social Housing and other Government Grants	185	178
VAT Shelter agreement (note 29)	36,296	31,861
Other creditors	55	55
	<b>50,850</b>	<b>38,446</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Housing loans (note 19)	<b>63,177</b>	34,363
Deferred Income: Social Housing and other Government grants	<b>5,124</b>	5,252
VAT Shelter agreement (note 29)	<b>207,831</b>	244,127
	<b>276,132</b>	<b>283,742</b>

### 18. DEFERRED INCOME - GOVERNMENT GRANTS

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of the year	<b>5,430</b>	5,515
Grants receivable	57	76
Amortisation to Statement of Comprehensive Income	(178)	(161)
As at 31 March	<b>5,309</b>	<b>5,430</b>
	<b>185</b>	<b>178</b>
Due within one year	<b>185</b>	<b>178</b>
Due after one year	<b>5,124</b>	<b>5,252</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 19. DEBT ANALYSIS

	2016 £'000	2015 £'000
<b>Bank loans</b>		
On demand or within one year	5,250	-
Less: transaction costs on issue	(2)	-
	<b>5,248</b>	-
Between two and five years	6,525	-
After five years	57,900	35,775
Less: transaction costs on issue	(1,248)	(1,412)
	<b>63,177</b>	34,363
	<b>68,425</b>	<b>34,363</b>

A loan facility of £135m has been arranged with The Royal Bank of Scotland, Santander and Nationwide to enable NPT Homes to undertake a major improvement programme to the housing stock. The total facility is split between £21m revolving and £114m term loan, both expiring 31 March 2041.

The maturity and interest rates applicable to the loans outstanding at year end are as follows:

#### TERM LOAN:

Facility	Loan	Balance	Fixed Rate	Margin	Total	Maturity
A - Term Loan	1	£5.25m	3.58%	2.50%	6.08%	21/09/2016
A - Term Loan	2	£6.53m	4.36%	2.50%	6.86%	21/09/2018
A - Term Loan	3	£12.00m	4.97%	2.50%	7.47%	21/09/2034
A - Term Loan	4	£17.55m	5.02%	2.50%	7.52%	21/03/2035
A - Term Loan	5	£20.25m	5.04%	2.50%	7.54%	21/03/2036
A - Term Loan	6	£8.10m	5.18%	2.50%	7.68%	21/03/2034
<b>A - Term Loan</b>	<b>Total</b>	<b>£69.68m</b>				

The term loans are at fixed interest rates plus a margin of 2.5% from 1 April 2016 (2% to 31 March 2015).

At 31 March 2016 the organisation had unutilised facilities of £65.32m (2015: £99.2m).

Housing loans are secured by fixed charges over the organisation's housing stock.

## NOTES TO THE FINANCIAL STATEMENTS

### 20. NON-EQUITY SHARE CAPITAL

	2016 £	2015 £
Shares held by members - £1 each fully paid and issued:		
At beginning of the year	292	254
Issued during the year	41	47
Cancelled during the year	(31)	(9)
At end of the year	<b>302</b>	<b>292</b>

The shares provide all members (apart from associates) with the right to vote at general meetings, but do not provide any rights to dividends, redemption or distribution following a winding up. Details of the membership and their voting rights are set out below:

Category	Members	Voting Shares	Weighting
Tenant	254	254	34%
Leaseholder	17	17	5%
Independent	4	4	27%
Council	1	1	34%
Associate	26	0	0%

The associate members cannot vote in general meetings but are eligible to take part in other membership committees and forums.

The Rules of the organisation state that most decisions at general meetings can be settled by a simple majority of voting shares. Certain matters, such as Rule changes, are decided in accordance with the weightings of votes as shown above, with a simple majority of each category determining the casting of their weighted votes.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. FINANCIAL INSTRUMENTS

	Note	2016 £'000	2015 £'000
<b>Financial assets</b>			
Measured at undiscounted amount receivable			
<b>Rent arrears and other debtors</b>	15	<b>247,467</b>	<b>279,183</b>
<b>Financial liabilities</b>			
Measured at amortised cost			
Loans payable	19	68,425	34,363
Measured at undiscounted amount payable			
Trade and other creditors	16,17	258,557	287,825
		<b>326,982</b>	<b>322,188</b>

The organisation's income, expense, gains and losses in respect of financial instruments are summarised below:

		2016 £'000	2015 £'000
<b>Interest income and expense</b>			
Total interest income for financial assets	5	78	57
Total interest payable and similar charges for financial liabilities at amortised cost	6	(4,083)	(2,876)
		<b>(4,005)</b>	<b>(2,819)</b>

### 22. RELATED PARTY TRANSACTIONS

All transactions with related parties are made at arm's length, on normal commercial terms and the related parties cannot use their position to their advantage.

During the year the organisation provided rented accommodation to 4 (2015: 5) Board members. The total rent payable was £10,829 (2015: £14,683). At the year end £253 (2015: £136) was owed to the organisation, of which £172 (2015: £nil) was overdue. All of the overdue amounts had been cleared by 22 April 2016. In addition rented accommodation was provided to 9 (2015: 5) close relatives of Board members.

NPTCBC is a party to the Transfer Agreement that established the organisation and holds the right to nominate 4 (2015: 4) members to the Board and one member vote at the AGM.

During the year the organisation made payments of £0.6m (2015: £0.7m) to NPTCBC relating to a satellite office's rent, rates and service level agreements. As at the year end, the organisation owed NPTCBC a total of £22,722 (2015: £45,535) and was owed a total of £34,982 (2015: £54,143) by NPTCBC.

No expenses have been incurred during the year relating to debt due from related parties.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases as follows:

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Lease payments due:				
within 1 year	61	436	61	460
between two and five years	158	518	174	855
in over 5 years	273	-	315	-
	<b>492</b>	<b>954</b>	<b>550</b>	<b>1,315</b>

### 24. CAPITAL COMMITMENTS

	2016 £'000	2015 £'000
Expenditure contracted but not provided for	2,694	501
Expenditure authorised by the Board but not contracted	40,423	48,216
	<b>43,117</b>	<b>48,717</b>

£39m (2015: £45.4m) of these capital commitments relate to meeting Welsh Housing Quality Standards and will be funded by existing loan facilities as detailed in Note 19.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. NET CASH GENERATED FROM OPERATING ACTIVITIES

	2016 £'000	2015 £'000
Surplus for the year	12,958	14,234
<b>Adjustments for non-operating activities</b>		
Surplus on disposal of fixed assets	(1,493)	(910)
Interest receivable	(78)	(57)
Interest payable	4,083	2,876
Local Government Pension Scheme (LGPS) net financing loss	490	450
<b>Adjustments for non-cash items</b>		
Amortisation of intangible assets	138	141
Depreciation of tangible fixed assets	5,385	3,977
Amortisation of deferred grant income	(178)	(161)
Pension costs less contributions payable	1,110	700
Decrease in debtors	31,640	21,133
Decrease in creditors	(32,876)	(20,479)
Decrease in stocks	11	2
<b>Net cash generated from operating activities</b>	<b>21,190</b>	<b>21,906</b>

### 26. RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2016 £'000	2015 £'000
Increase in cash	16,287	6,925
Increase in loans	(33,900)	(14,975)
Increase in net debt	(17,613)	(8,050)
Net debt at start of year	(24,520)	(16,470)
<b>Net debt at end of year</b>	<b>(42,133)</b>	<b>(24,520)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 27. ANALYSIS OF NET DEBT

	Cash at bank & in hand	Loans due in less than one year	Loans due in more than one year	Changes in net debt
	£'000	£'000	£'000	£'000
At beginning of year	11,255	-	(35,775)	<b>(24,520)</b>
Net cash flows	16,287	(5,250)	(28,650)	<b>(17,613)</b>
<b>At 31 March 2016</b>	<b>27,542</b>	<b>(5,250)</b>	<b>(64,425)</b>	<b>(42,133)</b>

### 28. FREE CASH FLOW

	2016 £'000	2015 £'000
<b>Net cash generated from operating activities</b>	21,190	21,906
Interest paid	(3,785)	(2,695)
Interest received	78	57
Taxation paid	-	-
<b>Adjustments for reinvestment in existing properties</b>		
Component replacements	(35,533)	(26,648)
Purchase of other replacement fixed assets	(120)	(274)
Component replacement grant received	-	-
<b>Free cash consumed before loan repayments</b>	<b>(18,170)</b>	<b>(7,654)</b>
Loans repaid (excluding revolving credit and overdrafts)	-	-
<b>Free cash consumed after loan repayments</b>	<b>(18,170)</b>	<b>(7,654)</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 29. VAT SHELTER / DEVELOPMENT AGREEMENT

Upon the transfer of the housing stock, NPTCBC contracted NPT Homes to carry out an agreed schedule of refurbishment works to the properties (the Development Agreement). The work was costed at £346.3 million of which £102.2 million (2015: £70.3m) has been completed.

The cost to NPTCBC of these works was offset by an equal increase in the purchase price for the housing stock paid by NPT Homes, and payment between the parties was assumed to have taken place on the transfer date. In accordance with FRS 102, the resulting debtor and creditor are disclosed separately in the financial statements. The arrangement constitutes an allowable VAT shelter, whereby NPT Homes is able to reclaim VAT charged by suppliers and contractors in fulfilling the works.

It is forecast that the work will be performed over a 15 year period and the costs will be capitalised as they are incurred, in accordance with the organisation's accounting policy. Should the work not be completed as specified, the Development Agreement may be terminated with no financial loss to NPT Homes.

### 30. PENSION

The organisation is an admitted body to the Local Government Pension Scheme (LGPS) operated by the City and County of Swansea (the Fund). The organisation was admitted to the Scheme on 4 March 2011.

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. Employer and employee contributions in the period totalled £2.59m (2015: £2.43m). Future contributions in 2016/17 for both employer and employee are estimated to be £2.77m. The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

In accordance with the requirements of FRS 102, the Fund has been valued by a qualified independent actuary, Aon Hewitt Limited in order to ascertain the value of the Fund as at the year end. The last full actuarial valuation of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited and this has been used as the basis of the valuation of the Fund for the year ended 31 March 2016. The Fund Regulations require that a full actuarial valuation is carried out every third year, the purpose of this being to establish that the Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates. An updated full actuarial valuation as at 31 March 2016 is currently being prepared by Aon Hewitt Limited and is expected to be available for use in the preparation of the financial statements for the year ending 31 March 2017.

## NOTES TO THE FINANCIAL STATEMENTS

Principal assumptions used within this valuation were:

	2016 % pa	2015 % pa
RPI Inflation	2.9	3.0
CPI Inflation	1.8	1.9
Pension accounts revaluation rate	1.8	1.9
Rate of increase in salaries	3.3	3.4
Rate of increase in pensions	1.8	1.9
Discount rate	3.5	3.3

The analysis of the Fund assets was as follows:

	31 March 2016 % pa	31 March 2015 % pa
Equities	74.1	73.9
Government bonds	13.0	12.8
Other bonds	0.9	1.0
Property	5.6	4.9
Cash/liquidity	3.0	3.0
Other	3.4	4.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Other holdings include hedge funds, currency holdings, asset allocation futures and other financial instruments.

### Mortality assumptions:

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. The assumed life expectations on retirement at age 65 are:

	2016 Years	2015 Years
<b>Males</b>		
Retiring today	22.7	22.6
Retiring in 20 years	24.9	24.8
<b>Females</b>		
Retiring today	25.2	25.1
Retiring in 20 years	27.5	27.4



## NOTES TO THE FINANCIAL STATEMENTS

### Amounts recognised in the Statement of Comprehensive Income

	2016 £'000	2015 £'000
Current service cost	2,970	2,430
Interest on pension liabilities	1,940	2,070
Interest income on assets	(1,450)	(1,620)
<b>Pension cost expensed</b>	<b>3,460</b>	<b>2,880</b>
Recognised in other comprehensive income	(2,050)	3,620
<b>Total pension cost recognised in the Statement of Comprehensive Income</b>	<b>1,410</b>	<b>6,500</b>

### Amount included in the Statement of Financial Position

	2016 £'000	2015 £'000
Present value of scheme liabilities	(59,980)	(58,660)
Fair value of scheme assets	44,520	42,750
Deficit in the scheme	(15,460)	(15,910)

### Movements in the present value of defined benefit obligations during the year:

	2016 £'000	2015 £'000
Opening present value of liabilities	58,660	47,810
Current service cost	2,970	2,430
Interest cost	1,940	2,070
Contributions by the participants	730	700
Actuarial (gains)/losses on liabilities	(4,050)	5,920
Benefits and transfers paid	(270)	(270)
<b>Total value of liabilities</b>	<b>59,980</b>	<b>58,660</b>

### Movements in the fair value of scheme assets during the year:

	2016 £'000	2015 £'000
Opening fair value of assets	42,750	36,670
Interest income on assets	1,450	1,620
Actuarial losses/(gains) on assets	(2,000)	2,300
Contributions by the employer	1,860	1,730
Contributions by the participants	730	700
Benefits and transfers paid	(270)	(270)
<b>Total fair value of plan assets</b>	<b>44,520</b>	<b>42,750</b>

Interest income on assets	1,450	1,620
Actuarial losses/(gains) on assets	(2,000)	2,300
<b>Actual return on assets</b>	<b>(550)</b>	<b>3,920</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 31. TRANSITION TO FRS 102

This is the first year that NPT Homes has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

#### Reconciliation of net assets and reserves at 1 April 2014 - date of transition to FRS 102

	UK GAAP as previously reported	Effect of transition to FRS 102				FRS 102
		VAT Shelter	Reserves	Loan	Grant/ Dep'n	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Fixed assets</b>						
<b>Housing properties</b>						
Depreciated cost	56,423	-	-	-	2,363	58,786
Social Housing and other grants	(18)	-	-	-	18	-
	<b>56,405</b>	-	-	-	<b>2,381</b>	<b>58,786</b>
Other fixed assets	6,097	-	-	-	-	6,097
	<b>62,502</b>	-	-	-	<b>2,381</b>	<b>64,883</b>
<b>Current assets</b>						
Stocks	80	-	-	-	-	80
Debtors	3,014	21,141	-	92	-	24,247
Debtors due after more than one year	-	275,988	-	173	-	276,161
Cash at bank and in hand	4,330	-	-	-	-	4,330
	<b>7,424</b>	<b>297,129</b>	-	<b>265</b>	-	<b>304,818</b>
Creditors: amounts falling due within one year	(7,202)	(21,141)	(57)	-	770	(27,630)
<b>Net current assets</b>	<b>222</b>	<b>275,988</b>	<b>(57)</b>	<b>265</b>	<b>770</b>	<b>277,188</b>
<b>Total assets less current liabilities</b>	<b>62,724</b>	<b>275,988</b>	<b>(57)</b>	<b>265</b>	<b>3,151</b>	<b>342,071</b>
Housing loans	(19,800)	-	-	1,479	-	(18,321)
Social Housing Grant/Other Grants	-	-	-	-	(5,354)	(5,354)
VAT Shelter	-	(275,988)	-	-	-	(275,988)
Creditors: amounts falling due after more than one year	(19,800)	(275,988)	-	1,479	(5,354)	(299,663)
	<b>42,924</b>	-	<b>(57)</b>	<b>1,744</b>	<b>(2,203)</b>	<b>42,408</b>
Pensions liability	(11,140)	-	-	-	-	(11,140)
<b>Net assets</b>	<b>31,784</b>	-	<b>(57)</b>	<b>1,744</b>	<b>(2,203)</b>	<b>31,268</b>
<b>Capital and reserves</b>						
Non-equity share capital	-	-	-	-	-	-
Designated reserves	227	-	(227)	-	-	-
Revenue reserve	42,697	-	(10,970)	1,744	(2,203)	31,268
Pension reserve	(11,140)	-	11,140	-	-	-
	<b>31,784</b>	-	<b>(57)</b>	<b>1,744</b>	<b>(2,203)</b>	<b>31,268</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Reconciliation of net assets and reserves at 1 April 2015

	UK GAAP as previously reported	Effect of transition to FRS 102						FRS 102
		Debtors over 1 year	Computer Software	VAT Shelter	Reserves	Loan	Grant/ Dep'n	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Fixed assets</b>								
<b>Housing properties</b>								
Depreciated cost	81,445	-	-	-	-	-	2,263	83,708
Social Housing and other grants	(981)	-	-	-	-	-	981	-
	<b>80,464</b>	-	-	-	-	-	<b>3,244</b>	<b>83,708</b>
Other fixed assets	5,756	-	(350)	-	-	-	-	5,406
Intangible assets	-	-	350	-	-	-	-	350
	<b>86,220</b>	-	-	-	-	-	<b>3,244</b>	<b>89,464</b>
<b>Current assets</b>								
Stocks	78	-	-	-	-	-	-	78
Debtors	3,022	(279)	-	31,861	-	76	-	34,680
Debtors due after more than one year	-	279	-	244,127	-	97	-	244,503
Cash at bank and in hand	11,255	-	-	-	-	-	-	11,255
	<b>14,355</b>	-	-	<b>275,988</b>	-	<b>173</b>	-	<b>290,516</b>
Creditors: amounts falling due within one year	(6,352)	-	-	(31,861)	(55)	-	(178)	(38,446)
<b>Net current assets</b>	<b>8,003</b>	-	-	<b>244,127</b>	<b>(55)</b>	<b>173</b>	<b>(178)</b>	<b>252,070</b>
<b>Total assets less current liabilities</b>	<b>94,223</b>	-	-	<b>244,127</b>	<b>(55)</b>	<b>173</b>	<b>3,066</b>	<b>341,534</b>
Housing loans	(35,775)	-	-	-	-	1,412	-	(34,363)
Social Housing Grant/Other Grants	-	-	-	-	-	-	(5,252)	(5,252)
VAT Shelter	-	-	-	(244,127)	-	-	-	(244,127)
Creditors: amounts falling due after more than one year	(35,775)	-	-	(244,127)	-	1,412	(5,252)	(283,742)
	<b>58,448</b>	-	-	-	<b>(55)</b>	<b>1,585</b>	<b>(2,186)</b>	<b>57,792</b>
Pensions liability	(15,910)	-	-	-	-	-	-	(15,910)
<b>Net assets</b>	<b>42,538</b>	-	-	-	<b>(55)</b>	<b>1,585</b>	<b>(2,186)</b>	<b>41,882</b>
<b>Capital and reserves</b>								
Non-equity share capital	-	-	-	-	-	-	-	-
Designated reserves	225	-	-	-	(225)	-	-	-
Revenue reserve	58,223	-	-	-	(15,740)	1,585	(2,186)	41,882
Pension reserve	(15,910)	-	-	-	15,910	-	-	-
	<b>42,538</b>	-	-	-	<b>(55)</b>	<b>1,585</b>	<b>(2,186)</b>	<b>41,882</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Reconciliation of total comprehensive income for the year ended 31 March 2015

	UK GAAP as	Effect of transition			FRS 102
	previously reported		Grant/Dep'n	Pension	
	£'000	Loan £'000	£'000	£'000	£'000
<b>Turnover</b>	42,366	-	118	-	42,484
Operating expenditure	(25,701)	-	(100)	(90)	(25,891)
<b>Operating surplus</b>	<b>16,665</b>	-	18	(90)	<b>16,593</b>
Gain on disposal of fixed assets	910	-	-	-	910
Finance income	57	-	-	-	57
Interest and financing costs	(2,718)	(158)	-	-	(2,876)
Local Government Pension Scheme (LGPS) net financing gain/(loss)	390	-	-	(840)	(450)
<b>Surplus before taxation</b>	<b>15,304</b>	(158)	18	(930)	<b>14,234</b>
Taxation	-	-	-	-	-
<b>Surplus for the year</b>	<b>15,304</b>	(158)	18	(930)	<b>14,234</b>
Actuarial loss in respect of pension scheme	(4,550)	-	-	930	(3,620)
<b>Total comprehensive income</b>	<b>10,754</b>	(158)	18	-	<b>10,614</b>

### Notes to the reconciliation

#### VAT Shelter

On transfer of the NPTCBC property portfolio to NPT Homes it was recognised that there was work to the value of £346.3m needed to bring the homes up to an agreed standard. VAT on property repairs and refurbishments is not recoverable for NPT Homes, whereas it is for NPTCBC. In order to extend the recoverability of VAT relating to these specific works to NPT Homes Limited, the sale of the properties was agreed at a price that included the value of the works to be completed. NPTCBC contracted the completion of these works to NPT Homes and payment between the two parties was assumed to have taken place on the transfer date.

Under previous UK GAAP it was acceptable to net the resulting debtor and creditor off against each other, but FRS 102 requires them to be shown separately. At any time the equal/opposite debtor and creditor is calculated by taking the original value of works agreed at inception (£346.3m) and subtracting the value of works completed to date. At 31 March 2015 the value of works completed was £70.3m (2014: £49.2m), so the debtor and creditor were valued at £276m (2014: £297.1m). The creditor is split between short-term and long-term creditors, the short-

## NOTES TO THE FINANCIAL STATEMENTS

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term portion being the estimated value of works due to be completed in the coming financial year.

### **Consolidation of Reserves**

Under previous UK GAAP, the organisation had a policy to identify specific liabilities as a designated reserve. Under FRS 102 the designation of reserves is deemed an internal matter. Only general and legally restricted reserves are disclosed in the Statement of Financial Position. A reserve for IT costs, £170k in 2015 (2014: £170k), and the reserve relating to the employee pension scheme, £15,910k in 2015 (2014: £11,140k) have been absorbed into the revenue reserve. The reserve for leaseholder major repairs, £55k in 2015 (2014: £57k), is reanalysed as a creditor, as there is a clear future liability for repayment should these funds not be required to meet the cost of the anticipated repairs.

### **Basic Financial Instruments**

NPT Homes has a loan facility which meets the definition of a Basic Financial Instrument. According to FRS 102 interest costs and the initial arrangement fees for the facility must be allocated over the period that the organisation derives benefit from the facility using the effective interest rate (EIR) method. Arrangement fees of £1.5m expensed in 2011 have been offset against the loan creditor, so that the creditor is equal to the net present value of the future loan cash flows according to the EIR. The costs, combined with timing differences in interest costs, are amortised over the useful life of the loan by reducing the offset and making an annual charge to finance costs according to the EIR calculations. In 2015 the net offset was £1,412k (2014: £1,479k), and the charge was £67k (2014: £25k). The offset is split between short-term and long-term creditors, the short-term portion being the apportionment of costs and interest to that part of the loan which is due for repayment in the coming financial year.

A further £0.5m of arrangement fees expensed in 2011 have been allocated to the commitment to lend under the loan and amortised over the commitment period. In 2015 the debtor for deferred income costs was £173k (2014: £265k), and the charge was £91k (2014: £100k). The debtor is split between short-term and long-term debtors, the short-term portion being that part which is attributable to the commitment from the lenders in the coming financial year.

### **Grants Relating to Assets**

FRS 102 requires grant relating to assets to be held on the balance sheet as a creditor and released to income in line with the depreciation of the underlying assets. In the past such grants have either been used to reduce the capital cost of assets, or taken directly to income on receipt.

The Furnace Place development has been complete and occupied since July 2015. By 31 March 2015 a Social Housing Grant of £981k had been received and used to reduce the capital cost of the development. That grant has now been reclassified as a creditor, which is being released to income in line with the depreciation of Furnace Place.

## NOTES TO THE FINANCIAL STATEMENTS

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Carbon credit funding of £2,402k for external wall insulation works was received in the year to 31 March 2014 and used to reduce the capital costs of the works. This had the effect of reducing the depreciation charge in that year and the following financial year. The grant has now been reclassified as a creditor, and is being released to income in line with the depreciation of the insulation works. The net creditor at 31 March 2015 was £2,263k (2014: £2,363k). The depreciation credit for the year to 31 March 2015 was £100k (2014: £40k), and this has been reclassified as income to offset the higher depreciation charge on the gross costs of the works.

Funding for the Ty Maes Marchog Haven Housing scheme was treated as income when received from NPTCBC. Under FRS 102 it now needs to be treated as a grant, with the income spread in line with depreciation of the development. A creditor has been created by writing the grant back from reserves. At 31 March 2015 the net creditor was £2,124k (2014: £2,142k). The release to income in the year to 31 March 2015 was £61k (2014: £70k) offset by that part of the funding received in the year, which was £43k (2014: £4k).

For each grant the creditor is split between short-term and long-term creditors, the short-term portion being the calculated release of income due in the coming financial year.

### Defined Benefit Pension Scheme

The method by which pension costs are calculated has been revised, and amended figures have been provided by the actuaries. This has had the result of increasing the pension costs charge in the 2014/15 financial statements by £930k and reducing the reported surplus for the year and the revenue reserve. The actuarial loss recorded in the Statement of Changes in Reserves is reduced by a corresponding amount so there is no effect on the net assets of the organisation at the end of the year.

### Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect the surplus for the financial year, the following adjustments have arisen which have had no effect on net reserves or Statement of Comprehensive Income but which have affected the presentation of these items on the Statement of Financial Position.

#### a) Computer Software

Computer software with a net book value of £305k at 1 April 2015, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the organisation's net assets nor on the surplus for the year, except that the previous depreciation charge is now described as amortisation.

#### b) Statement of cash flows

The organisation's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1.