



**REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

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Board Members



Roger Williams
Chair & Tenant
Member



Denise Davies
Tenant Co-optee
Joined 26 March
2015



Ted Latham
Vice Chair & Council
Nominee



Rosalyn Davies
Council Nominee



John Rogers
Council Nominee



Alan Lockyer
Council Nominee



Steve Mundy
Independent
Member



Brian Davies
Independent
Member



Harry Lloyd
Independent
Member



Helen James
Independent
Co-optee
Co-opted 11
December 2014

Resigned Board Members

Nikki Buttland	Tenant Member	Resigned: 9 March 2015	
Hilary Griffiths	Tenant Co-optee	Resigned: 22 January 2015	
Ellen Greed	Tenant Member	Resigned: 2 January 2015	Joined: 26 June 2014

Information

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

Funders

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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

External auditors

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Internal auditors

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

FCA registration number
WG registration number

31041R
L154

OPERATING & FINANCIAL REVIEW

The Board presents its Operating and Financial Review, Board Report and the audited Financial Statements for NPT Homes Limited (the organisation) for the year ended 31 March 2015.

ACTIVITIES, VISION, VALUES AND OBJECTIVES

1. Principal Activities

The organisation's principal activity is to provide affordable homes within the County Borough of Neath Port Talbot (NPTCBC), owning, managing and maintaining 9,133 rented properties, 602 leasehold flats, 17 shops and 782 garage plots at 31 March 2015.

Type of Home	Number @ 31 March 2015	Number @ 31 March 2014
Bungalow	371	369
Flat	2,499	2,496
House	5,786	5,804
Maisonettes	5	5
Sheltered Housing Bungalow	84	84
Sheltered Housing	388	423
Grand total	9,133	9,181

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. During the past year the organisation has also progressed with the construction of 15 new and affordable social housing units with the aid of Welsh Government funding. These have now all been let to tenants.

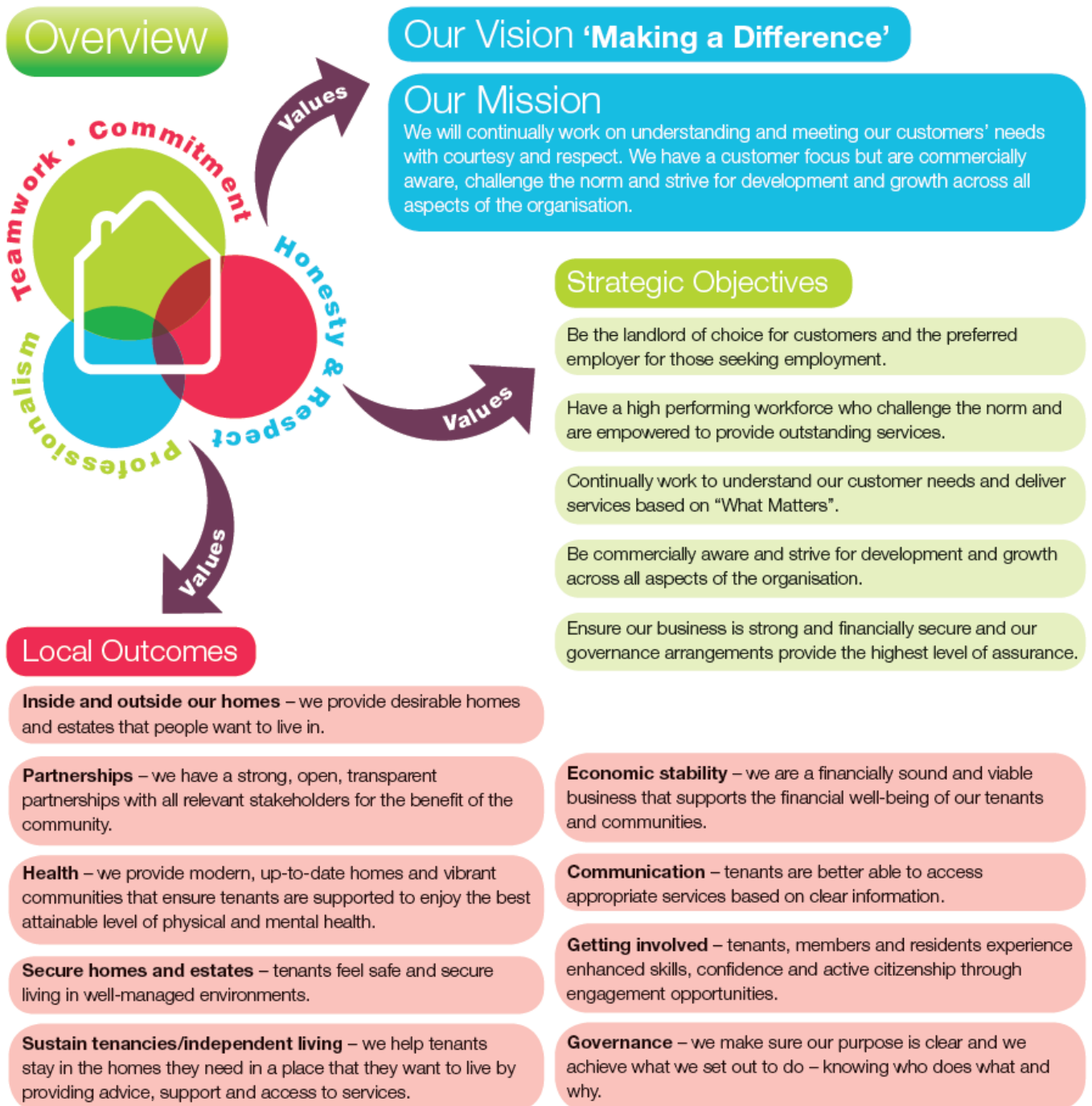
2. Vision and Values

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

OPERATING & FINANCIAL REVIEW

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

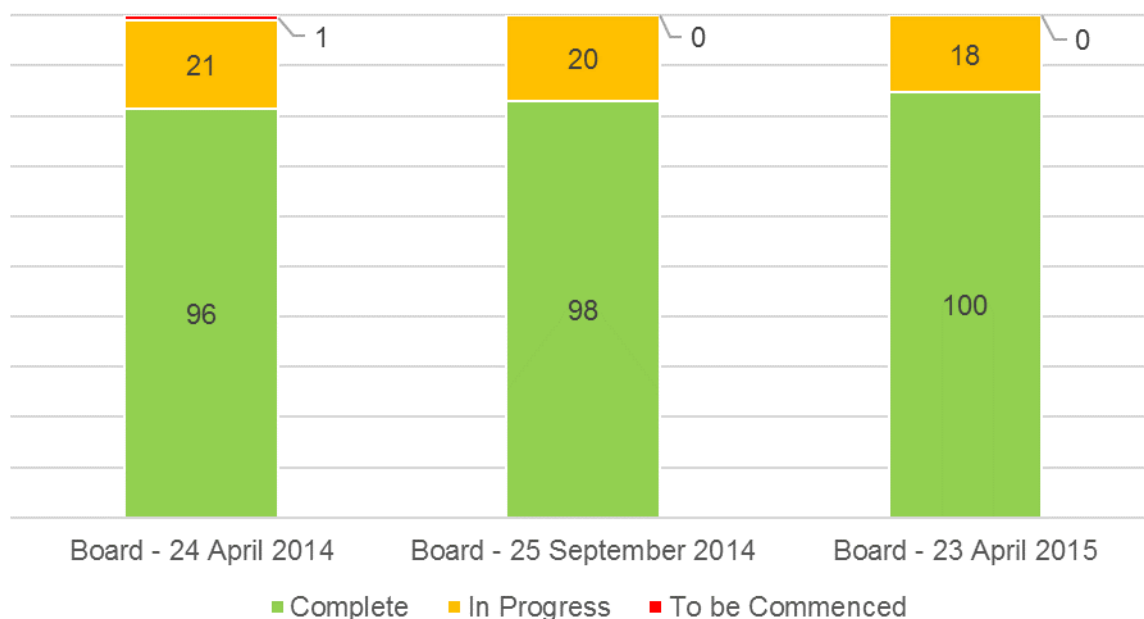


3. Objectives

Promises

The organisation continues with its longstanding objective of achieving the Offer Document promises, with 100 of the 118 promises now signed-off by the Board. Of the 100 promises signed off to date, 4 were approved by Board during the year.

Offer Document Key Stages - Progression Status



The 4 approved promises were:

1. Estate improvement and tenant consultation

Promise: To consult tenants on setting up a new annual estate improvements fund after the transfer, whereby priorities for spending money could be set locally in consultation with tenants.

Achievement: The Community Development Fund was launched in summer 2014 with priorities decided by tenants.

2. Service improvements - handyperson scheme

Promise: To plan to introduce a mobile handyperson service to carry out small jobs for elderly or vulnerable tenants who are unable to carry out those jobs themselves. This new service would not be compulsory for all tenants but tenants would have the choice on whether to take up this service. It would be subject to the availability of funding and might involve a charge payable by individual tenants who choose to have the service.

Achievement: A handyperson service was launched in June 2014 and publicised in our tenant magazine, The Grapevine. Initial evaluation shows a growing demand for the service.

3. Anti-social Behaviour (ASB) and tenancy breaches – information sharing:

Promise: To share information with the Police and other agencies to tackle problems and the perpetrators of ASB.

Achievement: We have put in place suitable sharing arrangements to work with partner agencies such as Information Sharing Targeted Area Meetings (ISTAMs) group, signed up to the Wales Accord on the Sharing of Personal Information (WASPI) and developed an Information Sharing Protocol (ISP) with the Local Authority, South Wales Police and other Registered Social Landlords (RSLs) operating in the area.

4. Older people and sheltered schemes – working with other providers

Promise: To work with other service providers to ensure that older tenants have the best possible service. This could include use of assistive technology which would allow earlier discharge from hospital.

Achievements: Scheme managers in our sheltered housing are working with Local Authority Social Services and Royal Institute for the Blind to make sure tenants receive the services they require.

Corporate Plan

Following the success of the first three years since transfer, we have set out our aspirations for the next three years. This has been published as our Corporate Plan for 2014-17 and sets out the kind of organisation we want to be.

The plan recognises the need to deliver the remaining Offer Document promises we made and also sets out a range of new projects. The Top 10 Corporate Priorities are a set of projects developed by NPT Homes. Each priority has a project manager who will manage the process from start to finish, along with a project sponsor who is a member of the Senior Management Team (SMT). The sponsor is responsible for making key decisions required throughout the project.

As each project begins, teams will be formed by initially looking at our current resources, in particular the skills and knowledge of our staff.

Corporate Top 10 Projects	
Lettings application and allocation policy	Customer experience
Supporting sustainable tenancies	Preparation for potential development opportunities
Sheltered housing	Accurate records and core systems
Service charges	Commerciality
Leaseholder management	Culture change/core skills

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 (revised target difference to 2013/14)	Completed	Completed	Completed	% complete 2015	% complete 2014
		At 31 March 14	in 2014/15	At 31 March 15		
	Units	Units	Units	Units		
Kitchen	8,740 (-130)	3,735	1,353	5,088	58%	42%
Bathroom	8,339 (+360)	3,393	1,234	4,627	55%	43%
Rewire	4,639 (-219)	2,362	783	3,145	68%	49%
Heating	5,900 (+159)	3,462	694	4,156	70%	60%
Windows	2,500	1,399	458	1,857	74%	56%
Roofing	2,319 (+519)	841	292	1,133	49%	47%
Render	1,084 (-416)	68	185	253	23%	5%
EWI	2,197 (+720)	500	437	937	43%	34%

The programmes for 2015/16 are designed, in line with loan agreements, to deliver the maximum benefit possible to tenants and leaseholders with £45m in improvements planned for 2015/16.

2. Regulation

Regulatory Assessment

The Welsh Government's regulation team 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>



Credit: South Wales Evening Post – Thursday 2 April 2015 – page 7

Financial Viability Judgement

As at 31 March 2015, the organisation has received 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".

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 receives regular operational and strategic information through the year on various aspects of its performance. During the year, this has been complemented by a single 'balanced scorecard' of key performance indicators (KPIs) covering 4 areas:

OPERATING & FINANCIAL REVIEW

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

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

Development is ongoing to link these measures within a strategy and performance IT suite that aligns KPI's to the corporate plan. The system will help to support and manage our processes of data collection and performance monitoring. It will also help link the KPI's to our self-assessment local outcomes. Some of our KPI's are set out later in this report.

Welsh Language Scheme

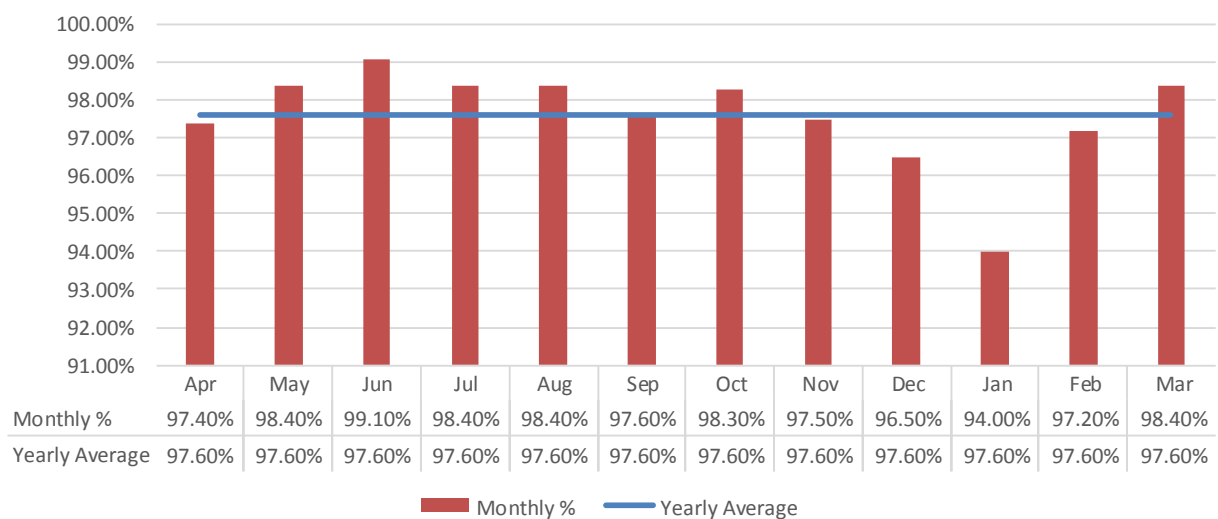
A copy of NPT Homes' Welsh Language Scheme Tracking report to the Welsh Language Commissioner is available at our head office Ty Gwyn, by email at Corporate.Services@npthomes.co.uk or telephone 01639 505854.

3. Customer Services

Contact Centre

The organisation's Contact Centre underwent a systems review in 2013/14 which identified the need for varying levels of resources to match pressure points and quiet times throughout different times of a day, week or month. As a result, the section has been reconfigured to better meet the needs of tenants. For 2014/15, the contact centre received 57,905 calls of which 56,490 were answered, giving an average percentage of answered calls at 97.60%. The majority of unanswered calls are abandoned within 20 seconds by the caller.

Contact Centre Call Statistics



The monthly statistics can be seen above.

**The reduction in calls in January 2015 was due to a temporary IT failure which was quickly rectified. This caused a higher than usual number of calls to be abandoned before being answered.*

OPERATING & FINANCIAL REVIEW

Property & Maintenance

	Q1	Q2	Q3	Q4	Full Year
Key Performance Indicator	Apr – Jun days	July – Sept days	Oct – Dec days	Jan – Mar days	2014/15
<i>Average length of time (End to End) to complete a repair (Urgent)</i>	6.26	5.55	5.04	5.53	5.60
<i>Average length of time (End to End) to complete a repair (Non-Urgent)</i>	30.5	34.85	23.64	27.56	29.14
<i>Void turnaround (End to End) time (All Voids)</i>	51.2	36.33	30.21	37.41	38.79

Tenant Satisfaction Survey Results	2014/15	2013/14
The % of tenants who stated they were given a repair appointment	83%	83%
The % of time we kept the appointment	96%	95%
The % of tenants who felt that the appointment was made at a suitable time for them	98%	100%
The % of tenants who felt the repair was completed within a reasonable timescale from the time it was reported (end to end)	84%	82%
The % of tenants who indicated that the repair was completed right 1st time from their perspective	87%	86%
The % of tenants who felt that the repair was completed to a good quality standard	95%	93%
The % of tenants who felt that we left the property clean after the repair	93%	87%
Average score of the End to End Service (out of 10)	9.00	8.87

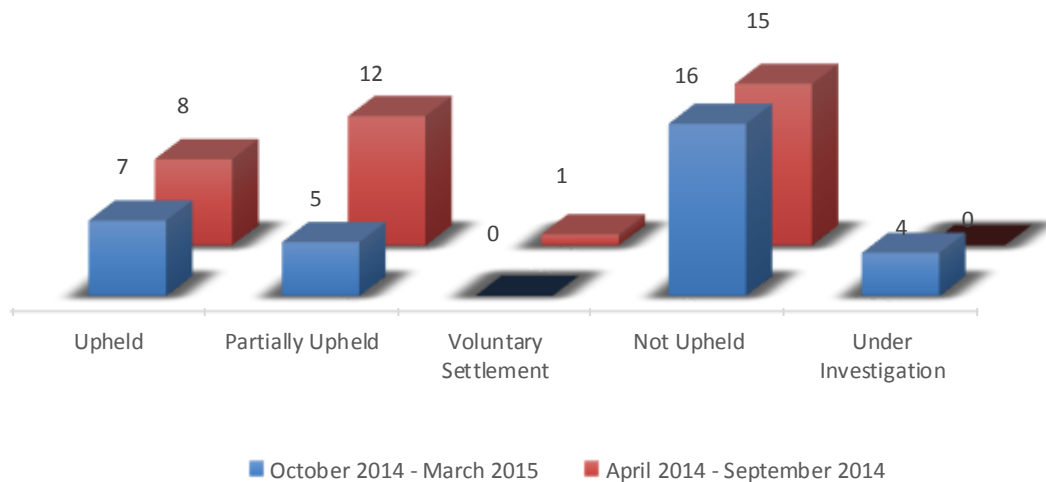
OPERATING & FINANCIAL REVIEW

Complaints

The Corporate Services Team administered a total of 304 complaints during 2014/15 (a reduction of 32 from the previous year), broken down as follows:

- Informal Complaints – 214 received with only 3 progressing to stage 1 complaints, indicating that an informal route is more efficient by providing the complainant with a quicker response
- Stage 1 Complaints – 68 received. 25% of stage 1 complaints in the second half of the year were upheld after investigation compared to 22% for the first half. A further 18% were partially upheld compared to 33% from the first half of the year. As at 31 March 2015, there were 4 complaints still under investigation.

Stage 1 Results



- Stage 2 Complaints (referred to SMT for investigation) – 19 received. The table below outlines the outcome of stage 2 reviews for the last 12 months:

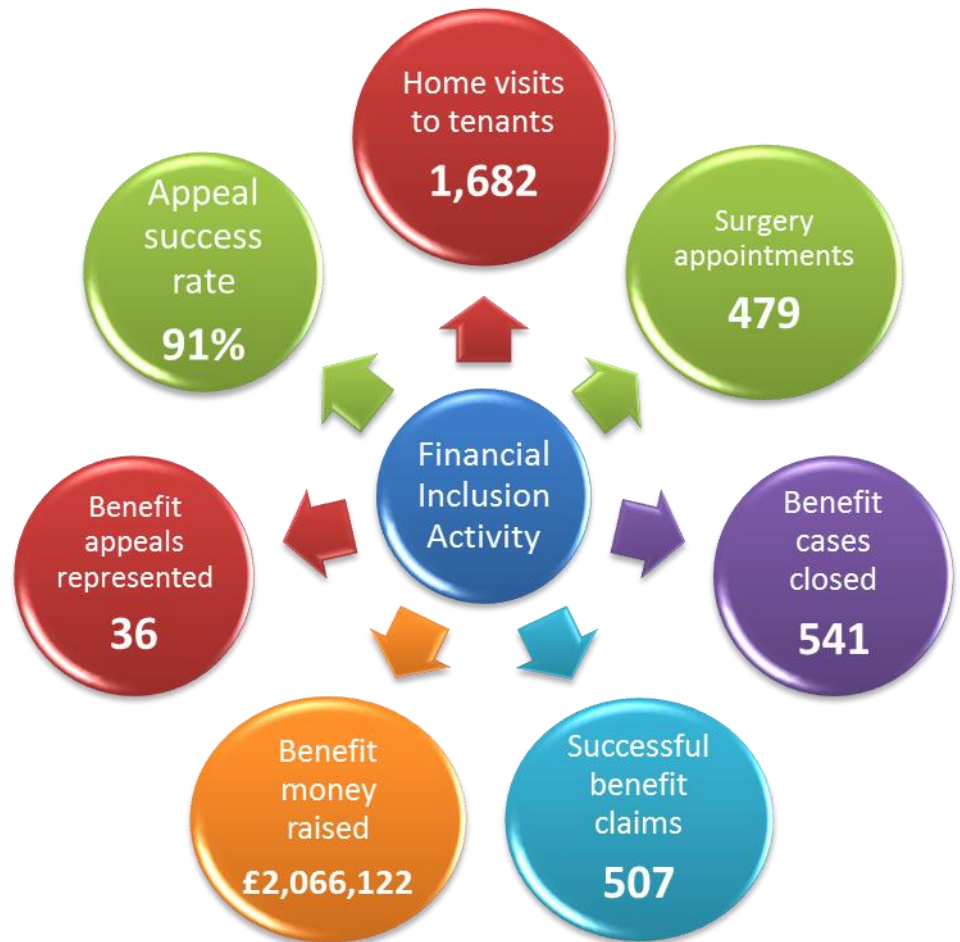
	April 2014 – September 2014	October 2014 - March 2015
Stage 1 decision overturned	5	3
Stage 1 decision upheld	4	5
Stage 1 decision partially upheld	1	0
Stage 2 review ongoing	1	0

4. Welfare Reform

Bedroom Tax and Discretionary Housing Payments

April 2013 saw the commencement of a programme of welfare reforms by the UK Government including the introduction of the Under-Occupancy Charge, or ‘Bedroom Tax’ as it is better known. Tenants of working age receiving housing benefit and who are deemed to have one or more spare bedrooms received a cut in their housing benefit of either 14% or 25% of the eligible rent.

Claiming Discretionary Housing Payments (DHP) is an option for some tenants affected by bedroom tax. Many tenants have been contacted or have an active engagement with the organisation during the last two years regarding this and as a result, the Financial Inclusion team have been able to assist tenants in securing Discretionary Housing Payments to offset the impact of reductions in housing benefit.



Figures for DHP awards over the past two years are as follows:

- 2014/15 – 541 tenants were awarded DHP’s, receiving a total of £266,208 in annual income for NPT Homes.
- 2013/14 – 512 tenants were awarded DHP’s, receiving a total of £227,653 in annual income for NPT Homes.

In October 2014, NPT Homes’ Financial Inclusion team took on a greater role in the assessment of eligibility for DHP claims made by NPT Homes’ tenants. This arrangement has resulted in speedier and more informed decisions (based on rent account, history of payments and knowledge of tenants’ circumstances etc.).

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The Local Authority maintains responsibility for assessment and decisions on those tenants in substantially adapted properties. Based on 2014/15 data, we expect 160 tenants to receive DHP for this reason in 2015/16 of approximately £107,000.

Universal Credit

Background

Universal Credit will bring together six benefits into a single monthly figure which will be paid directly to claimants monthly in arrears. Claimants will be required to pay their rent and other housing costs directly to NPT Homes out of their monthly benefit whereas in the past, these costs would have been paid direct to NPT Homes by NPTCBC acting on behalf of the Department for Work and Pensions (DWP).

Universal Credit was introduced to Neath Port Talbot on 13 April 2015 initially for claimants who meet the following criteria:

- Between the age of 18 and 60.5
- Single and living alone
- No dependent children
- Newly eligible to claim Jobseekers Allowance (JSA) due to a loss of job or change of circumstance

NPT Homes expects approximately 100 tenants to be affected in the 2015/16 financial year; but by the end of the 2016/17 financial year this figure is predicted to rise to 3,600 tenants.

All new Universal Credit claimants are referred to our supporting sustainable tenancies project team, either through signposting from - Jobcentre Plus, Housing Benefits or from internal departments working within NPT Homes. The team will continue to investigate issues around Universal Credit over the 2015/16 financial year to ensure maximisation of rent collection through changes to the arrears policy, the introduction of a Pay Your Rent campaign and reviewing staff resources.

Personal Independence Payment

The Personal Independence Payment (PIP) replaces Disability Living Allowance (DLA) and is a difficult benefit to claim. The process is long and the success rate, according to the DWP's own statistics, is only 45% for new claimants and 69% for transfers from DLA. As a team our success rate for Personal Independence claims is 73%.

5. Our work in the community

- a) As a result of the organisation's successful partnership working with South Wales Police, our Estate Rangers and Neighbourhood Services achieved positive outcomes with problematic tenants.
- b) Our Tenancy Support Team works to prevent homelessness by providing tenants with support and equipping them with skills to sustain a tenancy. During 2014/15 we helped 165 tenants in this way.
- c) The 'Get NPT Online' Partnership Project' won the Digital Unite Spring Online Best Event Award in June 2014. The project has collectively helped over 1,000 people gain confidence and skills to use the internet throughout Neath Port Talbot with sessions on using Facebook, eBay and newspaper apps being particularly well received. The sessions continued for a further five weeks due to the success of the event.
- d) It has been another busy year for the Community Regeneration team who have been mapping the Borough to find out the key priorities for each community. Community Regeneration have identified five priority areas for the forthcoming year. The team have undertaken intensive consultation in all of these areas in order get a clearer picture on the specific issues that were highlighted in the first round of research. We have held several events to interact with the community to gather their views on plans, including an Easter egg trail and a consultation alongside an ice cream van.

The third round of Community Challenges has recently been announced to provide a day of resources from NPT Homes and our contractors to organisations in need across the Borough. During the year there were five organisations that were beneficiaries of the work being undertaken. Those beneficiaries are:

- St Marys Church Hall – received a new heating system for the hall by Warmplan (Stelrad, Quinn and Worcester donating radiators and boiler).
- Alltwen School – re-painted all the old games on the school yard, painting the raised flower beds and the Wendy House, sandpit, gates and shed door by Spotless.
- Neath Abbey Infants School – removal and replacement of planters, improving the area covered with bark and a new lining, lifting paving slabs and putting new planters on the ground and providing a new canopy by Spotless.
- Alltycham and Rhyd-y-Fro Community Hall – internal decoration of hall by Mi-space.
- Tairgwaith Primary School – new planters, painting of school wall and games by Jistcourt.

2014/15 has also seen the launch of the Community Development Fund (CDF) which allows organisations to apply for funding for projects surrounding environmental improvement themes in the Borough. The CDF has provided funding for 6 separate organisations with mainly schools applying for funding to create outdoor classrooms and eco gardens. Other projects include sensory gardens, a recycled woodwork project and a community garden.

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These beneficiaries are:

- Glynneath Youth Group (c/o Newydd Housing Association and NPT Youth services)
- Dyffryn Comprehensive School
- Canolfan Maerdy
- Pontardawe User Group
- Tywyn Primary School
- Godre'r Graig Primary School

A total amount of £20,000 was provided over the six approved projects.



Community Regeneration Team at Pontardawe User Group

It is also with great pleasure that we can confirm once again that through the Value Wales Community Benefits measurement toolkit assessment, for every £1 spent on the major improvement programme, a further £1.99 has been reinvested into our local economy.

The organisation continues to work with local suppliers wherever possible. We have adopted the Welsh Government Community Benefits Process throughout all procurement processes, whilst also holding our own approved list of local contractors and consultants.

6. Health & Safety and Staff Wellbeing

The organisation maintained the Welsh Government’s Gold Standard Corporate Health Award in 2014/15, receiving an Ambassador Award from the Welsh Government in recognition of the achievement.

During 2014/15:

- 35 workplace accidents were reported; of these, 4 were reportable to the Health and Safety Executive (HSE) through RIDDOR (Reporting of Injuries, Disease and Dangerous Occurrences Regulations)
- There were also 2 RIDDOR reports made for diagnosed cases of Hand Arm Vibration Syndrome (HAVS)
- 42 incidents were recorded; 1 of which was RIDDOR reportable. The majority of the incidents were due to reports of potential threats to staff or contractors and a small number of property damage reports due to work activities. There were 2 Carbon Monoxide alarm activations, one of which resulted in the RIDDOR report made by our Gas servicing contractor. A pre-certification audit has been carried out on our Safety Management System and work is continuing to progress towards achieving an independent accreditation of the organisation’s Safety Management System to meet the OHSAS 18001 standard.

NPT Homes has been accredited as an ‘Exemplar Employer’ by Chwarae Teg, the leading professional agency for the economic development of women in Wales, for the way in which the organisation has integrated equality and diversity into its working practices. During 2014/15 the organisation’s record in apprenticeships, placements, work experience opportunities and overall employment is as follows:

Apprenticeships	4 x Third Year Level 3 Modern Apprentices
	5 x Shared Apprentice Scheme Placements
Jobs Growth Wales Placements	3 x Neighbourhood Operatives in Specialist Services
Work Experience	11 x Trade Placements
	3 x Administrative Placements
	8 x Neighbourhood Services Placements
	4 x School Placements
Investment in Workforce	At transfer – 358 full time equivalent posts, 384 headcount
	At 31 March 2015 – 484 full time equivalent posts, 493 headcount

7. Further Achievements

The following is a small selection of awards and achievements attained by the organization and staff during the course of 2014/15:

- NPT Homes ranked as the 32nd best landlord in 24 Housing Magazine's Top 50 UK Landlords list
- In the same publication, Development Officer Rachel Honey-Jones achieved 25th in the 'Top 30 Under 30' list. The competition was launched to find the brightest young talent that will be the housing leaders of the future
- An NPT Homes apprentice plasterer, Josh Greenwood, was shortlisted as one of the top candidates in the UK in the annual APSE National Housing and Building Apprentice of the Year awards
- Our Enabling Young Entrepreneurs (EYE) Project was shortlisted for a Chartered Institute of Housing Wales Award in the Campaign of the Year category
- Our Governance Officer, Lisa Evans, reigned as the Chartered Institute of Housing Cymru's Rising Star throughout 14/15

MANAGEMENT OF KEY RISKS

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.

In order to manage and mitigate these risks, the organisation has a risk management policy in place. The risk management procedures aims 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 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.

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

- Welfare benefit reforms
- Recovery of rent and other arrears
- Accuracy and completeness of data
- Improvements to IT systems
- Compliance with legislation/regulation
- Pension scheme deficit.

PERFORMANCE FOR THE YEAR

The Board reports a surplus for the year of £15.3m (2014: £14.4m) after accounting for net interest charges of £2.7m (2014: £2.1m) and profit on sale of fixed assets of £0.9m (2014: £0.9m).

During the year, the organisation spent £10.4m (2014: £10.3m) on reactive, cyclical and planned repairs on its housing properties, with £27m (2014: £24m) 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 £14.9m (2014: additional loans of £3.5m). Details of changes to the organisation's fixed assets are shown in notes 12 and 13 to the financial statements.

TREASURY

1. Treasury Function

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.

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.

2. Treasury 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 over the next 4 years.

3. Balance Sheet Debt and Liquidity

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 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 2014/15 and previous years.

Details of the loan facilities in place can be found on page 50 of the financial statements.

KEY ACCOUNTING POLICIES

The principal accounting policies are set out in Note 1 to the financial statements on pages 36 to 41. The most critical accounting policies in terms of the impact on the financial statements are the capitalisation of improvements to housing properties and the calculation of depreciation on housing properties. The first of these is unchanged from the previous year but the organisation has amended the useful economic lives for certain housing components as disclosed in Note 1 to the financial statements.

STATEMENT OF COMPLIANCE

It is considered best practice for RSLs with over 5,000 units in management at the Balance Sheet date to publish an Operating and Financial Review. Therefore, the organisation has adopted the Accounting Standard Board's Reporting Statement: Operating and Financial Review in full.

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 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.

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 3) 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 4) 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.

Senior Executives

- **Policy**

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

The Chief Executive holds delegated responsibility for negotiating other senior executives pay awards with the Chief Executive's being assessed by the Chair of the Board.

- [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.

More information regarding staff can be seen in the Operating & Financial Review, page 20.

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.

CORPORATE GOVERNANCE

Board Structure and Membership

The Board members are drawn equally from the following groups:

- Tenant Members** Elected by the tenants of the organisation
- Councillors** Who are nominated by NPTCBC
- Independents** 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 2015 the Board had 10 members (as detailed on page 3).

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 and Equality and Diversity that all Board members must undertake. Other training courses held during 2014/15 included:

- Risk Management
- Finance
- Pensions.

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

- Community Housing Cymru (CHC) Chair's Network
- Welsh Tenants Conference
- Welsh Government Self-Evaluation Masterclass for Board Members and Senior Management
- 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 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.
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.

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

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.

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 external auditors and external independent internal auditors 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
- Operational plans feed in to the annual budget and two re-forecasts (after six and nine months) are prepared, reviewed and approved by Board
- 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
- 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 2015. 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 are not aware of any such weaknesses from 1 April 2014 to date.

DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 auditors are 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 Housing Act 1996, (as modified by the Housing (Wales) Measure 2011), the Housing and Regeneration Act 2008 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2009. 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 28 July 2015.

Approved by the Board on 25 June 2015 and signed on its behalf by:



Board Member

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 2015 which comprise the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet, the Cash Flow Statement 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).

Respective responsibilities of The Board and auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 29, 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 the Co-operative and Community Benefit Societies Act 2014 and 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.

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 2015 and of the organisation's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 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) 2009.

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;

- a satisfactory system of control over transactions has not been maintained; or
- adequate accounting records have not been kept by the organisation; or
- the financial statements are not in agreement with the accounting records and returns; 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: Wednesday 8th July 2015

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Turnover	2	42,366	39,164
Less: Operating costs	4	(25,701)	(23,955)
Operating surplus	5	16,665	15,209
Profit on sale of fixed assets	6	910	918
Interest receivable and other income	7	57	26
Interest payable and similar charges	8	(2,718)	(2,142)
Local Government Pension Scheme (LGPS) net financing gain	28	390	340
Surplus on ordinary activities before taxation		15,304	14,351
Tax on surplus on ordinary activities	11	-	-
Surplus for the year	20	15,304	14,351

There is no material difference between the surplus on ordinary activities before taxation and the surplus for the year stated above and their historical costs equivalents.

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

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
Year ended 31 March 2015

		2015	2014
		£'000	£'000
Surplus for the year		15,304	14,351
Total actuarial losses relating to the pension scheme	20, 28	(4,550)	(1,190)
Total recognised surpluses and deficits for the year		10,754	13,161

BALANCE SHEET
At 31 March 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Housing properties			
Depreciated cost	12	81,445	56,423
Social Housing and other grants	12	(981)	(18)
		80,464	56,405
Other fixed assets	13	5,756	6,097
		86,220	62,502
Current assets			
Stocks	14	78	80
Debtors	15	3,022	3,014
Cash at bank and in hand		11,255	4,330
		14,355	7,424
Creditors: amounts falling due within one year	16	(6,352)	(7,202)
Net current assets		8,003	222
Total assets less current liabilities		94,223	62,724
Creditors: amounts falling due after more than one year	17	(35,775)	(19,800)
		58,448	42,924
Pensions liability	28	(15,910)	(11,140)
Net assets		42,538	31,784
Capital and reserves			
Non-equity share capital	19	-	-
Designated reserves	20	225	227
Revenue reserve	20	58,223	42,697
Pension reserve	20	(15,910)	(11,140)
		42,538	31,784

The financial statements on pages 32 to 58 were approved by the Board of Management on 25 June 2015.

Signed on behalf of the Board:

E.V. Latham
Board Member

H. Lloyd
Board Member

J.E. Andrew
Secretary

CASH FLOW STATEMENT

For the year ended 31 March 2015

	Note	2015		2014	
		£'000	£'000	£'000	£'000
Net cash flow from operating activities	24		21,971		17,621
Returns on investment and servicing of finance					
Interest received		57		26	
Interest paid		(2,718)		(2,142)	
			(2,661)		(2,116)
Capital expenditure					
Purchase & construction of housing & other properties		(28,239)		(23,252)	
Purchase of other fixed assets		(147)		(512)	
Social Housing Grant received		34		947	
Sales of housing properties		963		927	
Sales of other fixed assets		29		3	
			(27,360)		(21,887)
Net cash outflow before financing			(8,050)		(6,382)
Financing					
Housing loans received		15,975		13,025	
Housing loans repaid		(1,000)		(9,500)	
	25		14,975		3,525
Increase/(decrease) in cash	25		6,925		(2,857)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with applicable law and the United Kingdom Accounting & Financial Reporting Standards and comply with the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers (Update 2010) and The Accounting Requirements for Social Landlords Registered General Determination (Wales) 2009. The Board is satisfied that the current accounting policies are appropriate. The primary Financial Statements and Notes to the Financial Statements reflect the activities of the organisation.

Accounting Convention

The financial statements are prepared under the historical cost convention. 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.

Turnover

Turnover represents rental and service charge income net of 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.

Grants Received

Grants received, including the Welsh Government dowry, are received and accounted for in accordance with the grant terms and conditions. Revenue grants are recognised in the year to which they relate.

Social Housing Grants

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has been reduced by the amount of the grant received. The amount of the grants received is shown separately on the balance sheet. Grant received in advance of works expenditure is shown as deferred grant in current liabilities, and is credited to tangible fixed assets as it is spent.

Social Housing Grant is repayable in certain circumstances, such as when properties are sold or disposed of. Grant on properties that have been sold, net of abatement, is transferred to creditors as Recycled Capital Grant due after more than one year.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, the organisation is

NOTES TO THE FINANCIAL STATEMENTS

required to recycle these proceeds, as such a contingent liability is disclosed to reflect this where required.

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 Income and Expenditure Account in the year identified as abortive.

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 sale of fixed assets is recognised in the Income and Expenditure Account in the period of sale.

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;

NOTES TO THE FINANCIAL STATEMENTS

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

Depreciation periods are shown below. All other costs are written off to the Income & Expenditure Account as incurred.

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 useful economic lives to the business. The useful economic lives of the components were reviewed during the year and revised. The effect of the change has not had a material impact on the depreciation charge for 2014-2015 or prior years.

The depreciable amount is calculated on the basis of original cost less the proportion of Social Housing Grant and/or other grants receivable, less any residual value.

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

Traditional housing structures	100 years(2014: 80)
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NOTES TO THE FINANCIAL STATEMENTS

Non-traditional housing structures	Not applicable (2014: 40)
Office structures	100 years (2014: 80)
Roofs	50 years
External render	25 years
External wall insulation	25 years
Whole house rewires	30 years
Windows	25 years
Bathrooms	25 years (2014: 20)
Kitchens	15 years
Central heating boilers	15 years
Door entry systems	15 years (2014: 20)

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 life. The rates used for other assets are:

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

Impairments

Housing properties are subject to an annual impairment review in accordance with Financial Reporting Standard 11: Impairment of Fixed Assets and Goodwill, and the 2010 SORP. Any impairment of fixed assets is written down to the recoverable amount and the write down is charged to the Income and Expenditure Account.

Investments

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

Stocks

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

Bad and Doubtful Debts

Provision is made against rent 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

Operating Leases

Costs in respect of operating leases are charged to the income and expenditure 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.

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. Information concerning assets, liabilities, income and expenditure relating to the LGPS Scheme are disclosed in accordance with Financial Reporting Standard 17 – Retirement Benefits (FRS17). Assets of the scheme are held separately to those of the organisation and are accounted for in line with the provisions of FRS17.

Reporting the Substances of Transactions in Relation to the Improvement of the Properties

Immediately prior to the transfer of housing properties to NPT Homes Limited (the organisation) from NPTCBC (the council) under the Stock Transfer Agreement on 4 March 2011, the council and the organisation entered into a contract (Development Agreement) for the organisation to perform the refurbishment works required to bring the properties into an agreed state. The contract was for a fixed sum equal to the expected cost of the works (£364m) to be incurred over a period of up to 15 years. At transfer the organisation contracted with the council to acquire the benefit of the agreed refurbishment works (£364m) plus the housing properties at a price equal to the agreed value of the property in its unenhanced condition (£Nil). The nature of the works under the initial agreement was specified and a right of set off exists between the contracts. These contracts have enabled the organisation to recover VAT on repair/improvement costs that would otherwise have been expensed over the 15 year period of the Development Agreement (described as a VAT Shelter).

At the time of the transfer the organisation paid over no cash to the council for the acquisition of the properties in their unenhanced condition, being the value of the council's obligation to carry out the refurbishment works (£364m) less the amount due to be incurred by the organisation under the Development Agreement in relation to the anticipated cost of the repairs/improvements (£364m).

The impact of these two transactions is that whilst the council has a legal obligation to the organisation to complete the refurbishment works, this work has been contracted back to the organisation which is also legally obligated. The underlying substance of the transaction is therefore that the organisation has acquired the properties in their existing condition at their agreed value, and will complete the repairs/improvements as set out in the Development Agreement. In the opinion of the Board, the commercial effect of these transactions when viewed as a whole does not, in practice, create separate assets and liabilities for reporting purposes. Therefore, in accordance with FRS 5 the resulting debit and credit balances, relating to

NOTES TO THE FINANCIAL STATEMENTS

the legal obligation of the council to complete the refurbishment works for the organisation and the equal and opposite legal obligation of the organisation to perform the refurbishment works for the council, have been offset and are not recorded in the balance sheet.

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.

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS	Turnover	Operating costs	2015	2014
			Operating surplus	Operating surplus
	£'000	£'000	£'000	£'000
General needs and sheltered housing	41,801	(25,701)	16,100	14,838
Total from lettings	41,801	(25,701)	16,100	14,838
Other income	565	-	565	371
	42,366	(25,701)	16,665	15,209

NOTES TO THE FINANCIAL STATEMENTS

3. TURNOVER FROM LETTINGS	2015	2014
	£'000	£'000
General needs and sheltered housing		
Rents receivable	34,409	31,312
Service charges receivable	807	846
	35,216	32,158
Grants from local authorities and other agencies		
Welsh Government Dowry	6,200	6,200
Supporting People Grants	385	435
	41,801	38,793
Rent loss due to voids (memorandum note)	(1,321)	(1,967)
4. OPERATING COSTS FROM LETTINGS	2015	2014
	£'000	£'000
Management costs	5,713	5,139
Service costs	5,257	5,280
Maintenance costs	10,432	10,306
Depreciation	4,018	3,178
Rent losses from bad debts	281	52
	25,701	23,955

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING SURPLUS

	2015 £'000	2014 £'000
Operating surplus for the year is stated after charging:		
Depreciation	4,018	3,178
Operating leases		
- Property	79	63
- Vehicles	311	208
- Other	160	37
Auditor's remuneration (inclusive of VAT)		
- Statutory audit fees	21	25
- Other professional fees	4	4

6. SALES OF HOUSING PROPERTIES & OTHER FIXED ASSETS

	2015 £'000	2014 £'000
Sale proceeds	1,008	941
Cost of sales	(98)	(23)
Surplus	910	918

7. INTEREST RECEIVABLE AND OTHER INCOME

	2015 £'000	2014 £'000
Bank and short term deposit interest receivable	57	26

NOTES TO THE FINANCIAL STATEMENTS

8. INTEREST PAYABLE AND SIMILAR CHARGES	2015	2014
	£'000	£'000
Bank interest payable and similar charges	1,603	937
Non-utilisation fees	1,115	1,205
	2,718	2,142

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.

9. BOARD MEMBERS' AND SENIOR EXECUTIVES' EMOLUMENTS	2015	2014
	£'000	£'000
The remuneration paid to the senior executives of the organisation was:		
Emoluments (including pension contributions)	439	393
Emoluments (excluding pension) paid to the highest paid senior executive	120	104

No remuneration was paid to the members of the Board of Management during the year (2014: nil). The total of expenses paid to the Board during the year was £1,539 (2014: £1,505).

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 £19,440 (2014: £15,710).

Compensation for loss of office paid to directors in the year totalled £nil (2014: £35,210).

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEE NUMBERS AND COSTS

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

	2015 Number	2014 Number
Central support services	66	61
Operational delivery		
Landlord services	60	60
Specialist services	97	89
Property maintenance	174	165
Investment & regeneration	87	82
	418	396
Total	484	457

The aggregate employment costs of these persons were as follows:

	2015 £'000	2014 £'000 restated*
Wages and salaries	11,775	11,109
Social security costs	829	786
Other pension costs - employer's contributions payable	1,730	1,420
Other pension costs - difference between current and past service cost and contributions payable (FRS 17)	610	530
	14,944	13,845

*Certain expenses payable to staff amounting to £205,100 which were previously included in the figure for wages and salaries in the year ended 31 March 2014 have been reclassified as other operating costs to more appropriately reflect their nature.

11. 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

12a. FIXED ASSETS - HOUSING PROPERTIES

	Freehold Land £'000	Freehold Housing Properties held for letting £'000	Freehold Housing Properties under construction £'000	Total £'000
Cost				
At beginning of year	48	60,064	20	60,132
Additions during the year	20	27,210	1,277	28,507
Disposals during the year	-	(92)	-	(92)
At 31 March 2015	68	87,182	1,297	88,547
Depreciation				
At beginning of year	-	(3,709)	-	(3,709)
Charged during the year	-	(3,403)	-	(3,403)
Eliminated on disposals	-	10	-	10
At 31 March 2015	-	(7,102)	-	(7,102)
Net book value				
At 31 March 2015	68	80,080	1,297	81,445
At 31 March 2014	48	56,355	20	56,423

12b FIXED ASSETS - SOCIAL HOUSING AND OTHER GRANTS

At beginning of year	-	-	18	18
Social Housing Grant received in the year	-	-	34	34
Social Housing Grant transferred from creditors	-	-	929	929
At 31 March 2015	-	-	981	981

12c FIXED ASSETS - NET BOOK VALUE

The total net book value of rented housing properties comprises:

	2015 £'000	2014 £'000
Freehold land	68	48
Freehold property (completed)	80,080	56,355
Freehold property (under construction)	316	2
	80,464	56,405

NOTES TO THE FINANCIAL STATEMENTS

Houses and bedspaces in management at the end of the year	2015	2014
Housing accommodation	Number	Number
General needs	8,661	8,674
Sheltered accommodation	472	507
	9,133	9,181
Leasehold management services	602	604
	9,735	9,785

Housing and other properties held for letting comprise:	2015	2014
	£'000	£'000
Improvements to freehold land & buildings	79,414	55,865
Purchase of freehold properties	666	490
	80,080	56,355

NOTES TO THE FINANCIAL STATEMENTS

13. OTHER FIXED ASSETS

	Office premises £'000	Motor vehicles £'000	Office furniture and equipment £'000	IT £'000	Total £'000
Cost					
At beginning of year	5,011	475	79	2,149	7,714
Additions during the year	-	-	-	275	275
Reclassification of assets	(20)	-	20	-	-
Disposals during the year	-	(51)	-	-	(51)
At 31 March 2015	4,991	424	99	2,424	7,938
Accumulated Depreciation					
At beginning of year	(199)	(468)	(11)	(939)	(1,617)
Charged during the year	(113)	(10)	(19)	(473)	(615)
Reclassification of depreciation at beginning of year	-	13	(13)	-	-
Eliminated on disposals	-	51	-	-	51
At 31 March 2015	(312)	(414)	(43)	(1,412)	(2,181)
Net book value					
At 31 March 2015	4,679	10	56	1,012	5,756
At 31 March 2014	4,812	7	68	1,210	6,097

14. STOCKS

	2015 £'000	2014 £'000
Stock of materials	78	80

NOTES TO THE FINANCIAL STATEMENTS

15. DEBTORS	2015	2014
	£'000	£'000
Arrears of rent and service charges	2,329	2,576
Less: Provision for bad and doubtful debts	(1,012)	(1,225)
	1,317	1,351
Other debtors and prepayments	2,057	1,933
Less: Provision for bad and doubtful debts	(351)	(270)
	3,022	3,014

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£'000	£'000
Housing loans	-	1,000
Trade creditors	5,902	4,646
Taxation and social security	242	233
Rent and service charges received in advance	208	394
Social Housing Grant received in advance	-	929
	6,352	7,202

Drawdowns under the revolving credit facility are typically repaid within one year and, although they can be redrawn up until the expiry of the overall facility (31 March 2041), the organisation considers that drawdowns made for periods of less than one year are most appropriately disclosed as short-term liabilities.

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

	2015	2014
	£'000	£'000
Housing loans	35,775	19,800
	35,775	19,800

NOTES TO THE FINANCIAL STATEMENTS

18. DEBT ANALYSIS

	2015	2014
	£'000	£'000
Housing loans - due within one year		
Bank loans - revolver	-	1,000
Housing loans - due after more than one year		
Bank loans - long term facility (repayable after five years)	35,775	19,800
	35,775	20,800

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 facilities, both expiring 31 March 2041.

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

LOAN FACILITIES:

Facility	Loan	Balance	Fixed Rate	Margin	Total	Maturity
B - Term loan	1	£5.3m	3.58%	2.0%	5.58%	31 March 2041
B – Term Loan	2	£6.5m	4.36%	2.0%	6.36%	31 March 2041
B – Term Loan	3	£12.0m	4.97%	2.0%	6.97%	31 March 2041
B – Term Loan	4	£12.0m	5.02%	2.0%	7.02%	31 March 2041
B – Term Loan	Total	£35.8m				

The term loans are at fixed interest rates plus a margin (2% to 31 March 2016 and 2.5% thereafter). The term loans can be repaid early without penalty.

At 31 March 2015 the organisation had unutilised facilities of £99.2m (2014: £114.2m).

Housing loans are secured by fixed charges on all housing stock.

NOTES TO THE FINANCIAL STATEMENTS

19. NON-EQUITY SHARE CAPITAL	2015	2014
	£	£
Shares held by members - £1 each fully paid and issued:		
At beginning of the year	254	215
Issued during the year	47	63
Cancelled during the year	(9)	(24)
At end of the year	292	254

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	245	245	34%
Leaseholder	17	17	5%
Independent	3	3	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

20. RESERVES	Designated reserves		Total designated reserves	Pension reserve	Revenue reserve	2015	2014
	Major repairs	ICT project					
At beginning of the year	57	170	227	(11,140)	42,697	31,784	18,623
Surplus for the year	-	-	-	-	15,304	15,304	14,351
Actuarial deficit for the year	-	-	-	(4,550)	-	(4,550)	(1,190)
Transfers from pension reserves	-	-	-	(220)	220	-	-
Transfers to revenue reserves	(2)	-	(2)	-	2	-	-
At end of the year	55	170	225	(15,910)	58,223	42,538	31,784

21. 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 5 (2014: 5) board members who were tenants of the organisation.

In the year ended 31st March 2014, the Chair, who is a Tenant Board Member, was party to a pilot study to enable tenants to contribute towards additional capital works at their property over and above the usual WHQS improvements. As at 31 March 2015, an amount of £nil (2014: £517.59) was due from the tenant.

NPTCBC is a party to the Transfer Agreement that established the organisation and holds the right to nominate 4 (2014: 4) members to the Board. A total of 4 (2014: 5) Councillors served as board members during the year.

During the year the organisation made payments of £0.7m (2014: £1.2m) 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 £45,535 (2014: £57,259) and was owed a total of £54,143 (2014: £13,000) by NPTCBC.

NOTES TO THE FINANCIAL STATEMENTS

22. OPERATING LEASES

At the year end NPT Homes had annual commitments under non-cancellable operating leases as follows:

	2015		2014	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
within 1 year	-	47	-	18
between two and five years	59	413	63	226
in over 5 years	1	-	1	-
	60	460	64	244

23. CAPITAL COMMITMENTS

	2015 £'000	2014 £'000
Expenditure contracted but not provided for	501	2,667
Expenditure authorised by the Board but not contracted	48,216	37,052
	48,717	39,719

£45.4m (2014: £35m) of these capital commitments relate to meeting Welsh Housing Quality Standards and will be funded by existing loan facilities as detailed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

24. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £'000	2014 £'000
Operating surplus	16,665	15,209
Depreciation of tangible fixed assets	4,018	3,178
FRS17 effect included in operating costs	610	530
	21,293	18,917
Working capital movements		
(Increase) in debtors	(8)	(543)
Increase/(decrease) in creditors	684	(744)
Decrease/(increase) in stocks	2	(9)
Net cash flow from operating activities	21,971	17,621

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

	2015 £'000	2014 £'000
Increase/(decrease) in cash	6,925	(2,857)
Increase in loans	(14,975)	(3,525)
Increase in net debt	(8,050)	(6,382)
Net debt at start of year	(16,470)	(10,088)
Net debt at end of year	(24,520)	(16,470)

26. ANALYSIS OF NET DEBT

	Cash at bank & in hand £'000	Loans due in less than one year £'000	Loans due in more than one year £'000	Changes in net debt £'000
At beginning of year	4,330	(1,000)	(19,800)	(16,470)
Net cash flows	6,925	1,000	(15,975)	(8,050)
At 31 March 2015	11,255	-	(35,775)	(24,520)

NOTES TO THE FINANCIAL STATEMENTS

27. VAT SHELTER/ DEVELOPMENT AGREEMENT

The organisation entered into a VAT shelter co-incident with the date of transfer of the housing stock from NPTCBC, to carry out an agreed schedule of refurbishment works to the properties. The value of these works was £364 million of which £70.3 million (2014: £50m) has been delivered.

The cost to NPTCBC of contracting for these works to be undertaken was offset against an equal increase in the purchase price of the stock paid by the organisation. This transaction is not reflected in the financial statements in accordance with FRS5: Reporting the substance of transactions over the legal form.

The works contracted will be carried out over an envisaged 15 year period and will be recognised as they are undertaken, in accordance with the accounting policy for capitalisation. In the event the organisation does not complete the work specified, the Development Agreement may be terminated at no financial loss to the organisation.

28. PENSION

The organisation's employees are eligible to join the Local Government Pension Scheme (LGPS) operated by the City and County of Swansea. 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 contributions in the year totalled £1.73m (2014: £1.42m).

Contributions for the year to 31 March 2016 are estimated to be £1.78m.

In accordance with the requirements of FRS 17, the pension fund has been valued by a qualified independent actuary in order to ascertain the value of the scheme for FRS 17 purposes.

The latest actuarial valuation was carried out on 31 March 2013 and has been updated by independent actuaries at 31 March 2015.

NOTES TO THE FINANCIAL STATEMENTS

Principal assumptions used within this valuation were:

	2015 % pa	2014 % pa
RPI Inflation	3.0	3.4
CPI Inflation	1.9	2.4
Pension accounts revaluation rate	1.9	n/a
Rate of increase in salaries	3.4	3.9
Rate of increase in pensions	1.9	2.4
Discount rate	3.3	4.3

	2015 % pa	Asset split as at 31 March 2015 % pa	2014 % pa	Asset split as at 31 March 2014 % pa
Expected rates of return on:				
Equities	n/a	73.9	7.6	72.4
Government bonds	n/a	12.8	3.4	13.8
Other bonds	n/a	1.0	4.0	0.9
Property	n/a	4.9	6.9	5.0
Cash/liquidity	n/a	3.0	0.9	3.3
Other	n/a	4.4	7.6	4.6
Total	n/a	100.0	6.7	100.0

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

As at 31 March 2015, the expected rate of return on investment assets is not provided. The discount rate of 3.3% will be used in its place from 1 April 2015 in accordance with the new Financial Reporting Standard 102, which is effective for accounting periods starting on or after 1 January 2015.

As at 31 March 2014, the organisation employed a building block approach in determining the rate of return on fund assets. Historical markets were studied and assets with higher volatility were assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets was then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

Mortality assumptions

The assumed life expectation on retirement at age 65 are

Males

Retiring today

Retiring in 20 years

Females

Retiring today

Retiring in 20 years

2015	2014
Years	Years

22.6	22.5
------	------

24.8	24.7
------	------

25.1	25.0
------	------

27.4	27.3
------	------

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements.

History of present value of liabilities, assets and deficits

	2015	2014	2013	2012
	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(58,660)	(47,810)	(42,900)	(33,670)
Fair value of scheme assets	42,750	36,670	33,140	27,350
Deficit in the scheme	(15,910)	(11,140)	(9,760)	(6,320)

History of experience gains and losses

	2015	2014	2013	2012
Experience adjustments on scheme liabilities (£'000)	50	(650)	-	-
Percentage of scheme liabilities (%)	0.1	(1.4)	0.0	0.0
Experience adjustments on scheme assets (£'000)	1,370	(560)	2,050	(2,030)
Percentage of scheme assets (%)	3.2	(1.5)	6.2	(7.4)

Components of pension costs for year:

	£'000	£'000
Current service cost	2,340	1,950
Interest on pension liabilities	2,110	1,940
Expected return on assets	(2,500)	(2,280)
Total pension cost recognised in income and expenditure account	1,950	1,610

Statement of recognised surpluses and deficits

Actuarial losses	(4,550)	(1,190)
Total pension cost recognised in statement of recognised surpluses and deficits	(4,550)	(1,190)

NOTES TO THE FINANCIAL STATEMENTS

Changes to present value of liabilities during the year:	2015	2014
	£'000	£'000
Opening present value of liabilities	47,810	42,900
Current service cost	2,340	1,950
Interest cost	2,110	1,940
Contributions by the participants	700	610
Actuarial losses on liabilities	5,920	630
Benefits and transfers paid	(220)	(220)
Total value of liabilities	58,660	47,810

Changes to the fair value of assets during the year:	2015	2014
	£'000	£'000
Opening fair value of assets	36,670	33,140
Expected return on assets	2,500	2,280
Actuarial gains/(losses) on assets	1,370	(560)
Contributions by the employer	1,730	1,420
Contributions by the participants	700	610
Benefits and transfers paid	(220)	(220)
Total fair value of plan assets	42,750	36,670

Expected return on assets	2,500	2,280
Actuarial gains/(losses) on assets	1,370	(560)
Actual return on assets	3,870	1,720

Analysis of the Income & Expenditure charge

Current service cost	2,340	1,950
Interest cost	2,110	1,940
Expected return on assets	(2,500)	(2,280)
Expense recognised	1,950	1,610