



Northampton Partnership Homes Limited

Company Limited by Guarantee

Financial Statements for the year ended 31st March 2017

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COMPANY INFORMATION

Board Members (Statutory Directors)

There are places reserved on the Board for the following constituency groups: Independents (4 places), Tenants (5 places), Councillors (5 places) and Employees (2 places); 16 in total.

David Latham – Independent (Chair)
Rachel Terry – Independent (Vice-Chair)
Chris Deery – Independent
Andrew Weatherill – Independent
Clare Whitehead – Tenant
Eileen Daley – Tenant (resigned 16th December 2016)
John Connolly – Tenant
Rashmi Shah – Tenant (resigned 24th October 2016)
Tony Mallard – Tenant
Alan Sizer – Tenant (appointed 24th October 2016)
Vacant - Tenant

Alan Bottwood – Councillor
Andrew Kilbride – Councillor
Clement Chunga – Councillor (resigned 13th March 2017)
John Caswell – Councillor (resigned 19th May 2016)
Rufia Ashraf – Councillor
Brian Oldham – Councillor (appointed 19th May 2016, resigned 7th November 2016)
Mary Markham – Councillor (appointed 21st November 2016)
Catherine Russell – Councillor (appointed 13th March 2017)

Mike Gallucci – Employee
Rachael Hawthorne – Employee

Executive Management Team (Chief Officers)

Mike Kay – Chief Executive
Shirley Davies – Executive Director of Housing Management
Carole Hodson – Executive Director of Customer and Corporate Services
Alicia Bruce – Executive Director of Finance
Geoff Prior – Executive Director of Property Services (resigned 16th December 2016)

Registered office

The Guildhall
St Giles Street
Northampton
NN1 1DE

Company registration number

9019453

Auditors

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Actuary

Hymans Robertson LLP
One London Wall
London
EC2Y 5EA

Bankers

HSBC Bank PLC
St Clair House
5 Old Bedford Road
Northampton
NN4 7AA

Solicitors

LGSS Law Ltd
Floor 1, John Dryden House
8-10 The Lakes
Northampton
NN4 7YD

Solicitors

Trowers and Hamlin
3 Bunhill Road
London
EC1Y 8YZ

STRATEGIC REPORT

The report demonstrates how the Directors have performed their duty under s172 of the Companies Act 2006 to promote the success of the Company. The report gives a fair view of the development and performance of the Company's business during the 2016/17 financial year and provides an overview of the principal activities undertaken.

Principal activities and funding

Northampton Partnership Homes Limited (the Company) was created as an ALMO (Arm's Length Management Organisation) to manage Northampton Borough Council's (the Council) housing stock.

The Company was established with no share capital and is limited by guarantee. The Company is a subsidiary of the Council, and these financial statements are consolidated into the Council's accounts.

The Company was incorporated on 30th April 2014 and began trading on 5th January 2015.

The principal activities of the Company are the provision of housing services including housing management, repairs and major works.

Review of business results and performance

The financial statements for the year ended 31 March 2017 show an operating profit for the year of £618K, and an overall deficit of £1,902K after taking into account movements on the pension liability.

HMRC have confirmed that the activities and transactions between Northampton Partnership Homes Limited (NPH) and Northampton Borough Council (the Council) do not amount to trading and as such any surpluses in respect of these activities are not taxable nor any losses relievable for corporation tax purposes. It follows that taxable profits or losses should only arise on activities carried out with external organisations. In this regard, interest income earned on cash balances is taxable, albeit the Corporation tax due to HMRC is of a de minimis amount.

The Management Agreement sets out the management fees payable by the Council for the services.

The current financial year has been directed towards the achievement of the *Delivery Plan Strategic Objectives* which are as follows:

Strategic Objective 1	Deliver and maintain high quality homes and estates
Strategic Objective 2	Deliver high quality and customer focused housing services
Strategic Objective 3	Improve empowerment, opportunity and access for all
Strategic Objective 4	Develop and maximise partnerships to build stronger, safer and thriving communities in Northampton
Strategic Objective 5	Be an open, inclusive, effectively managed and trusted organisation

The Delivery Plan sets out a number of performance measures geared to achieving the strategic objectives and a range of more detailed measures have been developed against which NPH will also

measure its performance, of which 78% (2015/16: 75%) are achieving or exceeding the target. Actions are in place and being monitored to address areas of under-performance against targets such as complaints, long term voids and estate services.

Significant risks and uncertainties

The fees paid to the Company are set annually in advance and largely determine the financial resources available to deliver the requirements of the Delivery Plan. The fees are funded from the Housing Revenue Account (HRA) and the Council's General Fund.

The long-term success and viability of the Company is largely linked to the Council's Housing Revenue Account (HRA), and legislative changes continue to have a significant impact on funding of the HRA. NPH will monitor this by working very closely with the Council.

The Government called an election on 8th June 2017 and as a consequence it is recognised that the outcome of this may also have a major impact, the detail and magnitude of which is wholly unknown.

The Government "Austerity" measures announced in 2015 impact the current funding level. These included a rent reduction of 1% per annum for each of the 4 years from 1st April 2016; and right to buy for housing associations and associated sales of local authority higher value voids, both of which may have a significant negative effect on funding available for the NPH contract as and when the legislation is fully implemented.

The rent reduction of 1% per year for each of the next 3 years has a very significant impact. It has been estimated that the overall impact on Business Plans for the sector is between 15-18% reductions in income. The Government is considering the rent setting position post 2020.

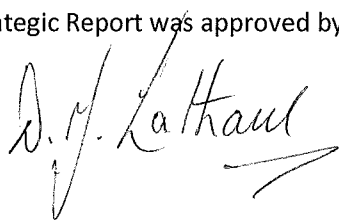
Beyond the management fee the Company has scope to generate additional income in order to increase the level of funding. The directors recognise that with these opportunities come potential risks against which appropriate mitigation measures with a high level of risk, budgetary and management controls measures are put in place with regular reporting to budget holders and the Board. Our Financial Rules give some flexibility to re-direct our financial resources in light of changing circumstances and emerging pressures although these are subject to virement rules implemented as part of the Management Agreement.

Retirement benefit obligations

Through the Management Agreement Northampton Borough Council has indemnified the Company against adverse variances in its pension scheme.

Approval

The Strategic Report was approved by the Board on 5th July 2017 and signed on its behalf



D J Latham
Chair

DIRECTORS' REPORT

Working for the Company

We value our staff and recognise the need and benefit of good internal communication. Communication within the Company is delivered in a variety of ways including regular staff updates via the Intranet and employee forum meetings held every 3 months in a central location.

Our commitment to involve our staff in all aspects of our operation is reflected in the Company's Articles of Association that states that 2 of our 16 Board Members will be selected from our employees.

Training needs are identified in light of legislative changes, service demands and through one-to-one and performance review meetings between staff and their line manager. In addition to formal external training courses and seminars we organise internal training events where appropriate.

The Company is open to consider and adopt flexible and new methods of working and will utilise technology to enable this where mutual benefits to both the employee and service delivery can be identified. In order to maximise use of our office accommodation we provide a number of "hot-desk" facilities for mobile workers.

Insurance

The Company has independent insurance for Directors and Officers Liability and this cover was in place for the duration of the financial year. Other insurance policies are arranged through LGSS insurance services from a market tested panel of insurers.

Statement of Directors responsibility

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:-

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Acts 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Declaration of Member's interest

All Directors have signed a declaration of Board Members' Interest and there are no matters to report.

Director's remuneration

No remuneration was paid to the Company Directors during the year.

Disclosure of information to Auditors

The Directors who were in office on the date of signing this report confirm that:

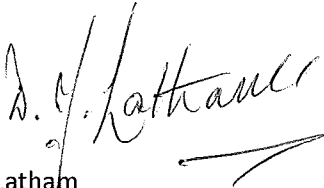
- i) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware,
- ii) The directors have taken all the steps that they ought to have taken to make them aware of any relevant audit information and to establish that the auditors are aware of that information

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditors will be proposed in accordance with s485 of the Companies Act 2006.

Approval

The Director's Report was approved by the Board on 5th July 2017 and signed on its behalf


D J Latham
Chair

STATEMENT OF INTERNAL CONTROL

Internal Control

The governance framework comprises the systems, processes and internal controls in place to give assurance to the Board and the Council that the Company is fulfilling the requirements of the Management Agreement and delivery plan, complying with the Articles of Association and meeting the Company's aims and objectives.

The system of internal control is in place to manage risk to a high level, although it cannot give absolute assurance. The key systems of internal control in operation comprise of the following:

Corporate Governance

The Board is responsible for the business of the Company subject to compliance with the provisions of the Companies Act 2006 and the articles of association for Northampton Partnership Homes Limited.

The Board comprises 16 members including 5 tenant representatives, 5 Council elected Members, 4 independent members and 2 employees of the Company. The structure of the Board is such that no single group holds a majority position.

The Board meet approximately every six weeks. The Board is supported by five Committees; Finance, Audit & Risk, Operations, HR and Review & Remuneration. Each Committee, apart from R&R, comprises 6 Members of the Board and currently meet approximately every six weeks. R&R has 3 members and meets less frequently. Committees have no delegated powers relevant to their specific terms of reference but they consider the detail of matters under their remit and report to the Board where formal approval to any reports and proposals is given. The frequency of meetings as the company moves forward will be kept under review.

Business Plan

As a Council owned Company, NPH's objectives are strongly aligned to the Council's Housing Strategy and its strategic priorities.

The Company's objectives reflect a balanced approach focused on internal change and strengthening our relationship with tenants, whilst recognising the importance of developing services and the role of the Company in the communities within which NPH works.

Executive Management Team

Operational day to day management of the Company is delivered under the direction of the Executive Management Team (EMT). This Management Team includes suitably qualified and experienced staff with relevant specialised skills and knowledge for the key operational activities of the Company.

Risk Assessment and Risk Management

The Company places high importance on the identification, monitoring and control of risk. The Company has a strategic risk register together with a Risk Management Strategy and Policy. Training and development on Risk Management has taken place with the Board and senior management during the year.

Risk is reviewed on a regular basis by the Board, the Audit and Risk Committee and by the Executive Management Team. The Risk Management Strategy and Policy was updated during the year to include a Board Assurance mechanism to ensure strategic risks are clearly linked to strategic objectives and to assess the assurances required and available against the strategic risks.

The Board has a fundamental role to play in overseeing the management of risk in corporate activity. They approve major decisions affecting the Company's risk exposure and monitor the management of significant risks. They also satisfy themselves that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.

Audit and Risk Committee receives an annual review of Risk Management carried out by Internal Audit and formally reviews the Company's strategic risk registers. The Committee is responsible for ensuring that there is a robust and efficient Risk Management process in operation across the Company.

Senior managers have responsibility to maintain an operational risk register and identify risks that should be included in the Company's strategic risk register. Managers also have responsibility to ensure that risks are being allocated to appropriate risk owners and are managed accordingly. During the year operational risks have been linked to key performance indicators as a complementary method of assessing risk.

Audit

The activities of the Company are subject to review by external and internal auditors. The Board approves the annual audit plans with the Audit and Risk Committee reviewing in detail all internal audit reports and reporting to the board thereon.

The annual Head of Internal Audit's report was reviewed by the Audit and Risk Committee on 27th June 2017 and provided positive assurance to the board on 5th July 2017 that the organisation had an adequate and effective framework for risk management, governance and internal control, however further enhancements to ensure that they remain adequate and effective were identified which the board agreed to.

Performance Management

The Company monitors performance against a number of indicators and formal performance reports are produced for EMT, the Committees and Board in line with the agreed reporting timetable. Wherever performance falls below targets managers are required to explain the cause and, if necessary, identify plans to meet the required standards.

A full suite of performance monitoring information is prepared for Company managers to assist management of service delivery.

Financial Control and Budget Management

The Company has inherited, from the Council, outsourced financial services provided by LGSS which has financial management policies in order to ensure that proper safeguards and controls are in place to manage money and assets.

The Company also has Financial Rules which set out its financial policies in the form of the Financial Regulations, Scheme of Delegation and Contract Procedure Rules.

The Company's Financial Rules were revised and approved by the Board on 14th December 2016. These provide the framework for managing the Company's financial affairs. They apply to every Board Member, Committee and employee of the Company and anyone acting on behalf of the Company. The Rules identify the financial responsibilities of the Board, its Committees, Directors and staff members.

The Financial Rules provide guidance on financial management and control, financial planning, risk management and control of resources, systems and procedures and external arrangements.

Budgetary Control and Reporting

Monthly budget reports are prepared for Company managers and budget holders to monitor income and expenditure, forecast trends and outturn projections and identify potential pressures or underspending. Where significant budgetary variance is identified the responsible manager will meet with the finance team to identify corrective action. The Executive Management Team reviews these reports on a monthly basis.

The Company maintains flexibility with its financial resources and the Financial Rules permit virements between budget heads to enable the redirection of resources in light of emerging pressures or opportunities. These virements are further controlled through the Management Agreement through which funding is provided in 6 different categories (or "Pots"). Virements within and between the pots are controlled with some requiring the agreement of the Council's s151 Officer (The Chief Financial Officer).

Financial monitoring and update reports are presented at each Finance Committee meeting and formally to the Board on a quarterly basis.

Service Level Agreements

Consequent upon the various disengagement issues negotiated at the time NPH was set up by the Council, a number of support functions are still purchased from external suppliers. During 2016/17 most of these services were still provided by the Council under various Service Level Agreements (SLAs) including – importantly – central back-office services provided by LGSS to the Council as a whole and subsequently apportioned to the Company for its deemed share of the service. In addition to the terms stated in these SLAs, the Company places a level of assurance on the systems of internal control in place within the Council and LGSS in respect of these services.

NPH do not have their own agreement with LGSS and hence receive services off the back of the Council's agreement with LGSS.

Policies and Procedures

The Company's practices and activities are defined in its policies and procedures. Where these have not been fully developed following commencement of trading in January 2015, the Council's existing policies are used. A review of all policies and procedures is ongoing. These documents ensure that appropriate control and guidance is available to the Board and staff when undertaking the business of the Company. Policies and procedures are subject to approval of either the Board or delegated authority to a Committee or an Executive Director.

All policies and procedures are available to Board Members and staff on the Company's intranet. In addition, relevant policies will be published on the internet.

Independent auditor's report to the members of Northampton Partnership Homes Limited

We have audited the financial statements of Northampton Partnership Homes Limited for the year ended **31 March 2017** which comprise the statement of comprehensive income, statement of financial position, the statement of changes in equity, the statement of cashflow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement **set out on page 6 and 7** the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at **31 March 2017** and of its **result** for the **period** then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

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

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

Grant Thornton, via us

William Devitt

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

5th July 2017

3 August

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 March 2017

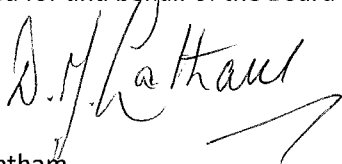
	Notes	2016/17 £000's	2015/16 £000's
Revenue	2	53,286	57,177
Total Revenue		53,286	57,177
Employee benefits expenses	4 & 18	(11,273)	(11,305)
Other expenses	3 & 4	(41,395)	(45,389)
Total expenses		(52,668)	(56,694)
Operating Profit		618	483
Finance costs	11	(432)	(501)
Finance Income	21	2	11
Profit/(Loss) before tax		188	(7)
Taxation	12	(5)	-
Profit/(Loss) for the period		183	(7)
Other Comprehensive Income			
Remeasurement of pension assets and liabilities	20	(2,085)	3,098
Total Comprehensive (Loss)/profit for the year		(1,902)	3,091

STATEMENT OF FINANCIAL POSITION

At 31st March 2017

	Notes	2016/17 £000's	2015/16 £000's
ASSETS			
<u>Non-Current</u>			
Property, plant and equipment	5	1	2
Non-current assets		1	2
<u>Current</u>			
Inventories	7	109	84
Trade and other receivables	8	7,639	6,570
Cash and cash equivalent	9	1,227	1,080
Current assets		8,975	7,734
TOTAL ASSETS		8,976	7,736
LIABILITIES			
<u>Current</u>			
Trade and other payables	10	(8,842)	(7,606)
Employee benefits accrual	19	(56)	(28)
Current liabilities		(8,898)	(7,633)
<u>Non-current</u>			
Pension liability	20	(14,199)	(12,321)
Non-current liabilities		(14,199)	(12,321)
TOTAL LIABILITIES		(23,097)	(19,954)
NET LIABILITIES		(14,121)	(12,219)
Equity and Reserves			
Pension Reserve		(14,199)	(12,321)
Insurance Reserve		113	113
Retained Earning		(35)	(11)
TOTAL EQUITY	14	(14,121)	(12,219)

Signed for and behalf of the Board of Directors on 5th July 2017


D J Latham
Chair

STATEMENT OF CHANGES IN EQUITY
for the period ended 31 March 2017

	Notes	Pension Reserve £000's	Insurance Reserve £000's	Retained Earnings £000's	Total Equity £000's
Opening Balance at 1st April 2016	14 & 20	(12,321)	113	(11)	(12,219)
<u>Gain for the period</u>		-	-	183	183
<u>Other Comprehensive income</u>					
Remeasurement of pension assets and liabilities	20	(2,085)	-	-	(2,085)
Transfers to pension reserve	20	207		(207)	
Total Comprehensive gain for the year		(1,878)	-	(24)	(1,902)
Balance at 31 March 2017		(14,199)	113	(35)	(14,121)

for the Year Ended 31 March 2016		Pension Reserve £000's	Insurance Reserve £000's	Retained Earnings £000's	Total Equity £000's
Opening Balance at 1st April 2015	14 & 20	(15,393)	113	(30)	(15,310)
<u>Loss for the period</u>		-	-	(7)	(7)
<u>Other Comprehensive income</u>					
Remeasurement of pension assets and liabilities	20	3,098	-	-	3,098
Transfers to pension reserve	20	(26)	-	26	-
Total Comprehensive loss for the year		3,072	-	19	3,091
Balance at 31 March 2016		(12,321)	113	(11)	(12,219)

STATEMENT OF CASH FLOWS

for the period ended 31 March 2017

	Notes	2016/17 £000's	2015/16 £000's
Cash flows from operating activities			
Profit before tax		183	(7)
Adjustments (non-cash items)	13	2,262	2,266
Contributions to defined benefit plans	20	(2,469)	(2,240)
Net changes in working capital	13	171	(7,355)
Net Cash flow from operating activities		147	(7,335)
Net cash change in cash or cash equivalents		147	(7,335)
Cash, cash equivalents and bank overdrafts at the beginning of the year		1,080	8,415
Cash, cash equivalents and bank overdrafts at the end of the year		1,227	1,080

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

1.1 Basis of Accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost basis.

1.2 Revenue and Other Income Recognition

Revenue is recognised when the amount and associated costs can be measured reliably net of VAT.

Revenue is measured at the fair value of consideration received or receivable for services provided by the Company and defined as the Service Fee in the Management Agreement.

Other income relates to grant funding, interest received and other income generating activities and the Works Fee defined in the Management Agreement, and is recognised in the accounts on the same basis as revenue.

1.3 Expenditure

Expenditure is recognised in the accounts upon receipt of goods or services and the associated costs can be measured reliably net of VAT.

1.4 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year from activities with parties other than the Council and relate principally to the generation of interest income from balances.

We have received confirmation from HMRC that our commercial service provision activities with the Council are deemed to be non-trading in nature and hence do not attract Corporation Tax.

1.5 Property, Plant and Equipment

The Company does not own any property or plant.

Assets are depreciated over their expected useful lives on a straight-line basis to write down the cost less the estimated residual value of the asset.

Depreciation of ICT equipment is based on an economic useful life of 3 years.

Gains or losses arising on the disposal of assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within Other Income or Other Expenses.

1.6 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are

transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires. Any gains and losses that arise on de-recognition of an asset are credited/debited to the Comprehensive Income and Expenditure Account.

1.7 Inventories

Inventory is stated at the lower of cost of net realisable value and relate to van stocks for the responsive repairs service.

1.8 Trade and Other Receivables

All trade and other receivables are made on the basis of normal credit terms and do not bear interest. The carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at the bank and in hand, and other short term deposits held by the Company with maturities less than 3 months.

1.10 Trade and other payables

Trade payables are recognised at fair value.

1.11 Employee Benefits

Employee benefits such as wages, salaries, paid annual leave and sick leave, overtime and bonuses are considered as an expense in the year in which the employee renders the service to the Company.

An accrual is made for the cost of holiday entitlement earned by employees but not taken before the year end, and which may be carried forward into the next financial year. These are included in current liabilities under the "employee benefits accrual". An accrual is measured at the undiscounted amount that the company expects to pay as a result of the unused entitlement. Accruals are not made for costs in respect of outstanding car mileage claims.

Termination benefits are amounts payable as a result of a decision by the Company to terminate an officer's employment before the normal retirement date. These costs are required to be recognised immediately in the provision of service.

1.12 Intangible Assets

Northampton Partnership Homes Ltd does not currently have any Intangible Assets.

1.13 Leases

The Company has a tenancy at will and a lease from the Council in respect of the Westbridge Office Accommodation and vehicles, respectively. A significant proportion of the risk and reward of ownership are retained by the lessor and therefore are classified as operating leases. Payments made under these agreements are charges under Other Expenses in the Statement of Comprehensive Income.

1.14 Estimation uncertainty

The Company operates a defined benefit pension scheme for its employees and the future obligations and asset returns are based on a number of estimates and assumptions. In recognising these liabilities we take advice from specialist consultants.

We have reviewed the useful economic life of equipment and intangible assets and based depreciation and amortisation charges on these assumptions.

1.15 Pensions

Employees of the Company are members of the Local Government Pension Scheme administered by Northamptonshire County Council. The Scheme provides benefits to members (retirement lump sums and pensions) earned as employees of Northampton Partnership Homes and, in the majority of cases prior to their transfer to NPH on 5th January 2015, of the Council.

The Local Government Pension Scheme is a defined benefit scheme. The liabilities of the scheme attributable to the company are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

Pension liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of spot yields on AA rated corporate bonds.

The change in the net pension liability is analysed into seven components:

1. Current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement.
2. Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
3. Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
4. Expected return on assets - the annual investment return on the fund assets attributable to the company, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
5. Gains/losses on settlements and curtailments the result of actions to relieve the company of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
6. Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Comprehensive Income and expenditure.
7. Contributions paid to the Northamptonshire County Council Pension Fund – cash paid as employers contributions to the Pension Fund.

1.16 Going concern

The financial statements have been prepared on a going concern basis. Forecast profile of income and expenditure for 2016/17 indicate that cash flows for year will be sufficient to meet all obligations as they become due. The payment of the Management Fee is made monthly in advance. In addition, the Council has made available a £1 million 'overdraft' facility from Housing Revenue Account balances which can be used to maintain cash flow in adversity. This payment profile helps ensure adequate cash flow is maintained throughout the year.

NPH manages the Council budgets for Capital and Revenue Maintenance of the property portfolio. These are invoiced monthly in advance based on approved budgets and are then adjusted to actual quarterly in arrears. In this way income is balanced to expenditure over the course of the full year. Generally, all contracts with external suppliers are held with Northampton Partnership Homes Ltd with one key exceptions: Specialist Fleet Services who provide vehicle hire services to the Council who then sublet to Northampton Partnership Homes.

By virtue of the Management Agreement with the Council, the Council guarantees the status of Northampton Partnership Homes as a going concern. This agreement is for a period of 15 years and each year a 5 year fee indication is provided (Sch.5). Crucially, the agreement contains paragraphs 19.1 and 19.2 (see below) which guarantee the status of NPH as a going concern.

19.1 *The Council shall provide and evidence such support for NPH as shall be required to enable NPH's auditors to confirm from time to time to NPH's board of directors that NPH is and will continue to be able to meet its debts as they fall due and is otherwise a 'going concern'.*

19.2 *The Council agrees that whether through the Total Fee or otherwise it shall ensure that NPH is able to discharge its liabilities for the pension's costs attributable to NPH's past, present and future employees.*

1.17 Key Judgements

The Company has responsibility to commission and project manages the Capital and Revenue repairs programme for Council Homes. Contracts are issued in the name of Northampton Partnership Homes Ltd and the Company recharges the Council full reimbursement of these costs under a Managed Budget Fee. We consider the Company to be the principal in this arrangement.

The IAS19 opening pension deficit on commencement of the scheme has not been charged to the Statement of Comprehensive Income as the Company's pension liability is supported by the Council as the ultimate parent (see above).

The acquisition of the company's activity from its parent is a transaction between entities under common control and consequently is outside the scope of IFRS 3 Business Combinations. In the absence of specific guidance in IFRS applicable to such transactions, the company has considered guidance that is available under other similar conceptual accounting frameworks and accounted for the business transfer as a group reconstruction using merger accounting principles set out in FRS 6 Acquisitions and Mergers issued by the Accounting Standards Board.

The Directors consider that the application of acquisition accounting, and consequential recognition of goodwill, would fail to reflect the substance of the transaction. No consideration was paid for the business transfer, however the company did assume the defined benefit pension scheme obligation in relation to employees who transferred to the company as part of the business transfer; no other assets or liabilities were transferred. The difference between the nil consideration and the assumed pension scheme obligation has been debited to reserves, as the assumption of the pension scheme obligation is in substance a distribution to its parent.

1.18 Government Grants

Grant income will be recognised on receipt when the amount can be measured reliably. The Company will ensure that it meets any conditions associated with the grant funding. The Company has not received any grant income.

1.19 Accruals Concept

Income is recognised in line with the provisions in the management agreement, when revenue can be measured reliably and the future economic benefits are probable. Expenditure is recognised once goods or services have been received, rather than when cash payments are made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet respectively. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet respectively and the Comprehensive Income and Expenditure Statement adjusted accordingly.

1.20 Value Added Tax

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts due / owed.

1.21 Events after the Balance Sheet date

Where there is a material post balance sheet event, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will have been shown in the accounts.

1.22 Exceptional and extraordinary items and prior period adjustments

Exceptional and extraordinary items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

1.23 Contingent assets and liabilities

Where the Council has a contingent asset or liability this will be disclosed as a note to the accounts.

1.24 Recognition of Capital Expenditure (de-minimis Policy)

In accordance with International Accounting Standard 16 (IAS 16), the Company recognises non-current assets when all four of the following tests are met:

1. Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
2. Assets expected to be used for more than one financial period.
3. Assets where it is expected that future economic benefit will flow to the Company.
4. Assets where the cost can be reliably measured.

The capital cost of an asset is recognized to be:

1. Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
2. Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
3. Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Company incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.
4. Subsequent expenditure that will substantially increase the market value of the asset.
5. Subsequent expenditure which substantially increases the extent to which the Company can use the asset for the purpose, or in conjunction with the functions of the Company.
6. The Company has a general de-minimis level of £1,000 for capital expenditure purposes.
7. Capital Assets are held on the balance sheet as non-current assets, unless otherwise stated.

2. Revenue

Income is derived wholly from within the United Kingdom from the Company's principal activity of housing management.

	2016/17	2015/16
	£000's	£000's
Management fee paid by Northampton Borough Council	53,286	57,177
	<u>53,286</u>	<u>57,177</u>
Analysed as:		
Management Fee - Housing Revenue Account	12,929	12,096
Management Fee - General Fund	237	239
Repairs & Maintenance	12,401	12,478
Capital	27,509	32,364
Other	210	-
Total Revenue	<u>53,286</u>	<u>57,177</u>

3. Other Expenses

Other expenses comprise of:

	2016/17	2015/16
	£000's	£000's
Management Fee - Housing Revenue Account	4,854	3,947
Management Fee - General Fund	211	95
Repairs & Maintenance	7,612	7,729
Capital	27,510	32,364
Special Services	1,208	1,254
Total	<u>41,395</u>	<u>45,389</u>

4. Operating Profit

The operating profit is reported after Auditors costs as follows:

	2016/17	2015/16
	£000's	£000's
External Audit Fees - Grant Thornton UK LLP		
– Audit Services	19	17
– Other Services	8	4
Internal Audit Fees - RSM Risk Advisory Services	40	44
Operating Lease	475	371

The following table analyses the nature of expenses as follows:

Staff costs	11,273	11,305
Other Operating Costs	41,395	45,389
	52,668	56,694

These cost are further analysed by funding pot

Management Fee - Housing Revenue Account	8,712	8,159
Special Services	3,366	3,047
Management Fee - General Fund	238	246
Repairs & Maintenance	12,842	12,878
Capital	27,510	32,364
	52,668	56,694

5. Property, Plant and Equipment

Northampton Partnership Homes Ltd does not currently own any property and plant. During the financial year 2015/16 the company purchased equipment with a cost value of £2K, net book value at 31 March 2017 was £1.2k, depreciation was charged during the financial year. All other items of equipment, fittings and furniture were deemed not to be material in line with the accounting policy.

6. Intangible Assets

The company does not hold any intangible assets.

7. Inventories

Inventories are stated at cost and relate to van stocks for the responsive repairs service.

	2016/17	2015/16
	£000's	£000's
Inventories	109	84
Total	109	84

8. Trade and Other Receivables

	2016/17	2015/16
	£000's	£000's
Sundry Debtors	10	62
Amounts due from Northampton Borough Council	5,760	6,508
Payments in Advance	585	-
HMRC - VAT	1,284	-
Total	7,639	6,570

9. Cash and Cash Equivalents

	2016/17	2015/16
	£000's	£000's
Cash in Hand	1	1
Bank current account	1,226	1,079
Total cash and cash equivalents	1,227	1,080

10. Trade and Other Payables

	2016/17	2015/16
	£000's	£000's
Trade payables	5,543	4,517
Amount owed to Northampton Borough Council	2,916	1,673
Other Creditors (HMRC VAT)	-	1,257
Tax and Social Security	379	157
Sundry Accruals	4	2
Total trade and other payables	8,842	7,606

11. Finance Cost

	2016/17	2015/16
	£000's	£000's
Finance Costs	(432)	(501)
Total	(432)	(501)

12. Taxation

HMRC have confirmed that the activities and transactions between Northampton Borough Council and wholly owned subsidiaries of Northampton Partnership Homes Ltd do not amount to trading and as such any surpluses in respect of these activities are not taxable nor any losses relieviable for corporation tax purposes. It follows that taxable profits or losses should only arise on activities carried out with external organisations.

13. Cash Flow adjustments and changes in working capital

<u>Adjustments (non-cash items)</u>	2016/17	2015/16
	£000's	£000's
Current service costs	1,830	1,765
Net pension interest costs	432	501
Total Adjustment	2,262	2,266

<u>Net changes in working capital</u>	2016/17	2015/16
	£000's	£000's
Change in trade and other receivables	(1,069)	(4,052)
Change in trade and other payables	1,237	(3,292)
Change in employee benefits accrual	28	(4)
Movement in Stock (Increase)	(25)	(5)
Capital Expenditure	-	(2)
Net changes in working capital	171	(7,355)

14. Reserves

		2016/17	2015/16
<u>Retained Earnings and Reserves</u>	Notes	£000's	£000's
		<u> </u>	<u> </u>
Profit/(loss) for the year		183	(7)
Remeasurement of pension assets and liabilities	20	(2,085)	3,098
		<u> </u>	<u> </u>
Total Comprehensive (Loss)/Profit for the year		(1,902)	3,091
		<u> </u>	<u> </u>
Analysis of Reserves			
Opening position at 1st April		(12,219)	(15,310)
		<u> </u>	<u> </u>
Profit and Loss (usable)		(349)	(411)
Pension deficit		(1,666)	3,389
Insurance Reserve		113	113
		<u> </u>	<u> </u>
		(1,902)	3,091
		<u> </u>	<u> </u>
Closing position at 31st March		(14,121)	(12,219)
		<u> </u>	<u> </u>

15. Related Party Transactions

Northampton Partnership Homes Ltd is an Arms-Length Management Company wholly owned by the Council. The Company was established with no share capital and is limited by guarantee.

In the event that the Company is wound up the Council undertakes to contribute such amounts as may be required for the payment of the debts and liabilities of the Company. After the satisfaction of all debts and liabilities, the remaining assets will transfer to the Council's Housing Revenue Account.

The Council has delegated the responsibility for overseeing the management and maintenance of its Housing stock to Northampton Partnership Homes Ltd in accordance with a Management Agreement with effect from 5th January 2015.

Details of the status of the company and the composition of the Board of Directors are given on page 2.

The Council pays the Company a management fee, monthly in advance in accordance with the Management Agreement. The Company has invoiced a total of £13.1m for management services to the Council relating to 2016/17. In addition to this the Company invoices the Council monthly in advance to fund the repairs and maintenance and capital programs at each quarter end the balance owing/owed is adjusted so that the income equates to the expenditure incurred. The Company invoiced the Council £12.4m and £27.5m for the repairs and maintenance and capital fee respectively.

The Council provide facilities to the Company as outlined in the management agreement in addition to this not all contracts had transferred over to the Company and therefore these costs were incurred by the Council and at 31st March 2017 the Council owed the Company £2.8m. The balance is payable on normal commercial terms and does not bear any interest.

Transactions with key management personnel

Key management of the Company comprise of the Executive Management Team (Chief Officers). Key management personnel remuneration includes the following expenses:

	2016/17	2015/16
	£000's	£000's
Wages and salaries	453	378
Social security cost	51	43
Pension cost	48	43
Total	552	464

Director's remuneration

The Directors of the Company received no remuneration during the reporting year.

16. Ultimate parent company

The company is a wholly owned subsidiary of the Council and the accounts have been consolidated into the Council's financial statements.

17. Contingent Liabilities

Northampton Partnership Homes is potentially liable for outstanding insurance claims of £219k at the year end.

18. Employee Benefit Expense

Expenses recognised for employee benefits are analysed as follows:

	2016/17 £000's	2015/16 £000's
Wages and salaries	7,916	6,494
Social security cost	771	488
Pension cost	1,830	1,765
Temporary Staff	756	2,558
Total	11,273	11,305

The average number of full time equivalents for the year was 268 (2015/16 - 227).

19. Employee Related Benefit Accrual

The current liabilities recognised for employee remuneration in the Statement of Financial Position consists of the following:

	2016/17 £000's	2015/16 £000's
Employee related benefit accruals	56	28

The accrual relates to untaken holiday entitlement and flexi time as at 31st March.

20. Retirement Benefit Obligations

The Company is a member of the Local Government Pension scheme administered by Northampton County Council. This is a funded defined benefit scheme which provides index linked retirement benefits to employees who choose to join.

The scheme was opened on 5th January 2015 when employees of Northampton Partnership Homes Ltd transferred from the Council under Transfer of Undertakings (Protection of Employment) (TUPE). At the time of admission the Company scheme was fully funded under the actuarial valuation assumptions made. However the figures presented in these financial statements are reported under the requirements of IAS19, which are prepared on a different basis to the actuarial valuation.

Employees and the Company pay contributions to the fund. During 2016/17 the employer's rate was 13.3% and employees contribute variable rates which increase on banded salary ranges. At 31st March 2017 the scheme had 244 (2015/16: 229) active members.

A comprehensive actuarial valuation is undertaken every three years and the latest review was undertaken on 31 March 2016 by the actuary Hymans Robertson LLP.

Movements in the present value of the defined benefit obligation are as follows:

	2016/17	2015/16
	£000's	£000's
Opening balance at 1 April	22,535	22,930
Current service cost	1,830	1,765
Interest cost on pension liabilities	848	792
Contributions by scheme participants	266	369
Remeasurment – Gain on financial assumptions	4,777	(3,321)
Closing balance at 31 March	30,256	22,535

For determination of the pension obligation the following actuarial assumptions have been used:

<u>Inflationary assumptions</u>	2016/17	2016/17
	End of	Start of
	Period	Period
	%	%
Rate of Inflation (CPI)	2.4	2.2
Rate of Inflation (RPI)	3.4	3.2
Rate of increase in salaries	2.7	4.2
Rate of increase in pensions	2.4	2.2
Discount Rate	2.6	3.6

<u>Mortality assumptions:</u>	2016/17	2016/17
	End of	Start of
	Period	Period
	years	years
Life expectancy for current pensioners aged 65:		
Men	22.1	22.3
Women	24.2	24.3
Life expectancy for future pensioners aged 65 in 20 years time:		
Men	23.9	24.0
Women	26.1	26.6

Movements in the fair value of plan assets are as follows:

	2016/17	2015/16
	£000's	£000's
Opening balance at 1 April	10,214	7,537
Interest on plan assets	416	291
Remeasurements (assets)	2,692	(223)
Employer contributions	2,469	2,240
Benefits paid	(201)	-
Contributions by members	467	369
Closing balance at 31 March	16,057	10,214

Analysis of plan assets as follows:

<u>Fair value of plan assets</u>	2016/17	2015/16
	£000's	£000's
<u>Equity Securities</u>		
Consumer	1,172	809
Manufacturing	37	-
Energy & Utilities	953	404
Financial Institutions	1,176	761
Health Care	565	468
Information Technology	1,095	704
Other	1,063	613
<u>Debt Securities</u>		
UK Government	1,444	865
<u>Private Equity</u>		
All	27	6
<u>Real Estate</u>		
UK Property funds	1,174	854
Overseas Property Funds	73	63
<u>Investment Funds and Unit Trusts</u>		
Equities	5,617	3,493
Bonds	1,277	983
<u>Cash and Cash Equivalents</u>		
All	384	191
Total	16,057	10,214

Amounts included in the Statement of Financial position in respect of defined benefit scheme are as follows:

	2016/17 £000's	2015/16 £000's
Fair value of plan assets	16	10
Present value of funded obligation	(30)	(23)
Surplus/(Deficit) in scheme	(14)	(12)

Amounts reported in the Statement of changes in equity in respect of the defined benefit scheme are as follow:

	2016/17 £000's	2015/16 £000's
<u>Remeasurment (liabilities):</u>		
Experience gain	262	-
Gain/(Loss) on financial assumptions	(5,037)	3,320
Other	(2)	1
Remeasurment (assets)	2,692	(223)
Actuarial gain recognised in the Statement of Changes in Equity	(2,085)	3,098

Amounts recognised in the Statement of Comprehensive Income in respect of the defined benefit scheme are as follows:

	2016/17 £000's	2015/16 £000's
Current service cost	(1,830)	(1,765)
Interest cost on pension liabilities	(848)	(792)
Interest on plan assets	416	291
Total charged to the Statement of Comprehensive Income	(2,262)	(2,266)

Current service costs are recognised in Employee Benefit Expenses. Interest cost and administration expenses are recognised in Finance Cost.

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Changes in assumptions at 31 March 2017	Approximate % increase to Employee Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12%	3,764
0.5% increase in the Salary Increase Rate	3%	853
0.5% increase in Pension Increases Rate	9%	2,837

Estimated Employer's contribution for the period to 31st March 2018 will be approximately £1,146,000.

21. Finance Income

	2016/17 £000's	2015/16 £000's
Investment income from cash and cash equivalents	2	11
Total	2	11

22. Financial Instruments

Assets

The table below analyses the Company's financial assets held for managing liquidity risk which are considered to be readily saleable or are expected to generate cash inflows to meet cash outflows on financial liabilities.

	Current 31/03/2017 £000's	Long Term 31/03/2017 £000's
Trade and other receivables	7,639	-
Cash and cash equivalents	1,227	-
Total	8,866	-

	Current 31/03/2016 £000's	Long Term 31/03/2016 £000's
Trade and other receivables	6,570	-
Cash and cash equivalents	1,080	-
Total	7,650	-

Liabilities

The table below analyses the Company's current and long-term financial liabilities on a contractual gross undiscounted cash flow basis at the reporting date up to the contractual maturity date.

	Current 31/03/2017 £000's	Long Term 31/03/2017 £000's
Trade and other payables	(8,842)	-
Total	(8,842)	-

	Current 31/03/2016 £000's	Long Term 31/03/2016 £000's
Trade and other payables	(7,606)	-
Total	(7,606)	-

Cash Flow

The Company's primary source of revenue is from the Council either through the Management Fee (£13.1m) or the capital (£27.5m) and Repairs & Maintenance Fee (£12.4m) which are invoiced monthly in advance and then adjusted on a quarterly basis to reflect actual expenditure incurred. The timing of these cash inflows ensures the Company can meet its financial obligations.

Credit and Liquidity Risk

The Company ensures that all liabilities are met as they fall due. As stated above the nature of cash inflows gives a safeguard that the Company is exposed to low credit and liquidity risk.

The Company is exposed to liquidity and credit risk principally in the event that the Council were to experience cash flow difficulties. However, based on the Council's own high credit rating this is assessed to be a very unlikely scenario of low risk.

Interest Rate Risk

The Company has no borrowing and no long term investments. Short term deposits are limited to cash held at the bank and interest received from these short term investments is not critical to the Company's revenue. We therefore consider that the Company is not exposed to interest rate risk in relation to its financial instruments.

23. Operating leases

The Company entered into a new contract on 1st February 17 for the supply of contract hire vehicles. The existing lease arrangement with Northampton Borough Council will expire once the company take delivery of the new vehicle fleet supplied by a third party.

	Within 1 year	1 to 5 years	Total
	£000's	£000's	£000's
31 March 2017	373	957	1,330
	Within 1 year	1 to 5 years	Total
	£000's	£000's	£000's
31 March 2016	462	170	632

Occupation of the premises by NPH for the period to 31st March 2017 is under a Tenancy at Will Agreement. This arrangement has not been included in the Financial Statements on operating leases, by virtue of not being classified as a lease.

24. Post reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.