Northampton Partnership Homes Limited

Company Limited by Guarantee

Financial Statements for the year ended 31st March 2018

Company Registration Number 09019453
Registered in England and Wales

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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 (4 places), Councillors (4 places); 12 in total.

David Latham – Independent (Chair)
Rachel Terry – Independent (Vice-Chair)
Chris Deery – Independent
Andrew Weatherill – Independent

Clare Whitehead – Tenant
John Connolly – Tenant
Tony Mallard – Tenant (resigned 16th June 2017)
Alan Sizer – Tenant (resigned 31st January 2018)
Joseph Kavanagh – Tenant (appointed 20th October 2017)
Vacant – Tenant

Alan Bottwood – Councillor
Andrew Kilbride – Councillor
Rufia Ashraf – Councillor
Mary Markham – Councillor
Catherine Russell – Councillor (resigned 6th November 2017)

Mike Gallucci – Employee (resigned 20th October 2017)
Rachael Hawthorne – Employee (resigned 25th May 2017

Executive Management Team (Chief Officers)

Mike Kay – Chief Executive
David Pickard – Executive Director of Operations (Appointed 4th September 2017)
Paul Satchwell – Executive Director of Resources (Appointed 2nd January 2018)
Shirley Davies – Executive Director of Housing Management (resigned 31 August 2017)
Carole Hodson – Executive Director of Customer and Corporate Services (resigned 17 December 2017)
Alicia Bruce – Executive Director of Finance (resigned 10 July 2017)

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
Forbes
Rutherford House
4 Wellington St (St Johns)
Blackburn, Lancashire
BB1 8DD

Solicitors
Shoosmiths LLP
Witan Gate House
500-600 Witan Gate West
Milton Keynes, Buckinghamshire
MK9 1SH

Solicitors
Tozers LLP
Broadwalk House
Southernhay West
Exeter, Devon
EX1 1UA

Solicitors
Trowers and Hamlins
3 Bunhill Road
London
EC1Y 8YZ

STRATEGIC REPORT

Purpose

Northampton Partnership Homes (NPH) was founded in January 2015 to take on the management of housing stock owned by Northampton Borough Council. Its purpose is to improve services and the provision of quality homes to more than 25,000 customers around Northampton. We are proud to help many people live in a home they can afford in communities and places that they want to live in. Our vision which remains unchanged since the business was established, is

"to provide homes which enable people to live happy and healthy lives in enriched communities."

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. The business is also a development partner of the Council and receives funds on their behalf for the provision of new affordable housing.

Review of business results and performance

The financial statements for the year ended 31st March 2018 show an operating profit for the year of £756k, and an overall profit of £1,108k after taking into account movements on the pension liability.

HMRC have confirmed that the activities and transactions between NPH and 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. Taxable profits or losses therefore should only arise on activities carried out with external organisations. In this regard, interest income earned on cash balances is taxable.

We have now completed our third year of operation and 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 focussed 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 81% (2016/17: 78%) are achieving or exceeding the target. Actions are in place and being monitored to address areas of under-performance against targets such as complaints and long term voids.

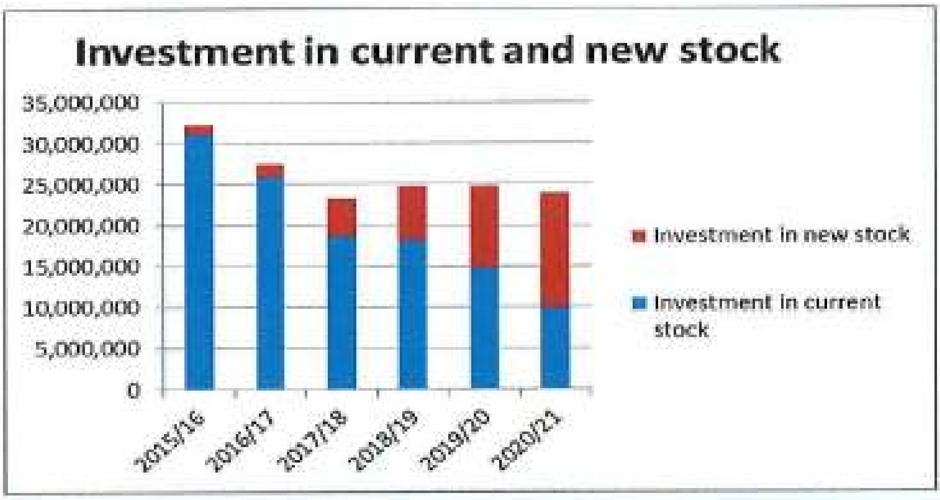
Progress against strategic objectives is summarised below. A more comprehensive account can be found in the Delivery Plan document on the NPH website.

Strategic Objective	Achievements in delivering the Objective in 2017/18
1 Deliver and maintain high quality homes and estates	Our planned investment partner, Keepmoat, started delivering our planned capital works programmes in July.
	Garage Sites Strategy launched.
	New build and acquisition programme to deliver 99 additional properties.
	External contractors appointed for grounds maintenance and cleaning.
	A full review of our fire safety procedures, following the Grenfell Tower tragedy.
2 Deliver high quality and customer focussed housing services	Review of our rent income collection service resulting in more flexibility around direct debit payment dates and taking payments in advance.
	Repairs and Maintenance staff now use Scheduling and Mobile Working Solution (SAMS) software for managing repairs and appointments increasing efficiency.
	The process for managing void properties was redesigned reducing void rent loss by 50% in a year. We now have one dedicated contractor.
	We have created a new Anti-Social Behaviour Strategy and team.
	Formation of a Community Interest Company was approved by the Board in December.
	The tenant satisfaction survey (the STAR survey) results showed significant improvements across seven key areas.
3 Improve empowerment, opportunity and access for all	The training programme for tenants continued, with a range of training offered from IT courses to food safety and first aid.
	Tenant involvement in the procurement of major contracts.
	The first NPH Garden Competition for tenants and leaseholders attracted 28 entries.
	Developed strategic and operational county wide Community Safety Partnerships.
	Supporting the most vulnerable street homeless people by involvement operationally in local partnerships.
	Working with Northamptonshire County Council on a county-wide Older Persons' Housing Strategy.

4 Develop and maximise partnerships to build stronger, safer and thriving communities in Northampton	Delivery of Value for Money remained a key priority. As well as the restructure, we delivered further cost reductions of over £500,000 through better procurement.
	Staff sickness absence reduced further, from 14.71 days in 2015/16 to 11.27 in 2017/18. The annual target for 2017/18 being 10 days.
5 Be an open, inclusive, effectively managed and trusted organisation	We carried out detailed work to ensure we are ready for the introduction of new Data Protection Regulations in May 2018.
	Employee engagement events continued every quarter and the Make a Difference Awards were held for a second year.
	Fundraising activities took place for our nominated charity, Cynthia Spencer and the total raised came to in excess of £1,600.

Overall the services to the council were delivered within budget achieving a £1m underspend against revenue as well as delivering a restructure to the organisation which had a budgeted efficiency of £986k. Some capital projects have slipped slightly in the year and £877k of budget will be carried forward into 2018/19 to deliver on these projects. Satisfaction amongst tenants continues to improve (see detail in Value for Money section – page 9) which, along with the investment made, suggests that performance overall continues to move in a positive direction.

NPH are delivering a programme of investment into the stock. The approach has been renewed to deliver efficient improvement to neighbourhoods in a targeted way. This doesn't preclude spending in areas that are in considerable need, but where possible the investment is focused towards a whole estate improvement rather than specific works on a more ad hoc basis. The following graph shows the split of the Capital pot between investment in current stock and in new development over the last few years and the forecast for the next few based upon Right to Buy receipts that need to be spent as part of the total budgeted Capital pot. It is essential that NPH and NBC continue to get this balance right as developing new homes should not be at the expense of continuing to invest in the c12,000 properties that are already in existence.



Management continue to work on plans to deliver new homes. Stock numbers in 2017/18 have reduced due to Right to Buy (RTB) sales, which have grown to 138 this year, however NPH have delivered the biggest programme of new homes in a number of years adding 36 new units. During the year plans have progressed to grow the development pipeline further and NPH has the capacity to grow its service to the council in this area. NPH and NBC are considering the different options available to access additional funding and deliver an increased programme that is not at the expense of investment in the current stock.

2018/19 Priorities

The operating environment for NPH continues to change at pace reflecting a challenging political and economic landscape. Now more than ever it is important to have the correct strategic direction and the flexibility to adapt to the changing environment which will ensure that risks are managed and the most is made of opportunities that will develop.

Social and economic challenges are making life harder for our customers and the business will also have to adjust to the effects of Brexit which cannot yet be fully understood. Universal Credit will 'go live' in full for Northampton in November changing dramatically the way that the Council's Housing Revenue Account (HRA) will receive its income. However all of this comes against a back drop of Housing having the highest prominence it has for a long while within the government's agenda.

NPH was set up to ensure that these challenges can be effectively dealt with and plans for 2018/19 target continued improvement to services and the provision of quality housing against this back drop. Building on the work from the past three years the focus remains on delivering a value for money, customer focused service for the council through the joint Delivery Plan. A summary of 2018/19 can be seen below.

Strategic Objective	Plans for delivery towards the Objective in 2018/19
1 Deliver and maintain high quality homes and estates	We will commence delivery of a further 100 new homes in 2018/19.
	We will implement a strategy for delivery of a 10 year programme of housebuilding.
	The options appraisal of all garage sites will be completed and designs produced for all sites recommended for development.
	We will start a programme of cyclical works to complement the planned investment programme.
	We will refresh our 5-10 year investment plan.
2 Deliver high quality and customer focussed housing services	We will implement the new Anti-Social Behaviour Strategy.
	We will carry out a survey of leaseholders, and use the results to develop an improvement plan.
	We will be supporting applicants before they take up a tenancy to ensure they are prepared for the commitments that come with becoming a tenant.
	Universal Credit will be rolled out in Northampton from November 2018, arrears levels will increase. We will continue to learn from best practice.

	We will improve the repairs service further, delivering efficiencies in our processes and introducing repairs reporting online.
	We will introduce charges for various repairs which are the tenants' responsibility or are the result of damage.
	We will employ apprentices to ensure that we have a multi skilled labour force into the future that is efficient and delivers a high quality service.
3 Improve empowerment, opportunity and access for all	Following on from the 2017 STAR survey, we will undertake a mini survey in September 2018 to make sure we are on track.
	We will continue with our commitment to offering a wide range of training for tenants at no cost to them.
	Work will continue on implementing the IT Strategy, with a focus on self-service for tenants.
4 Develop and maximise partnerships to build stronger, safer and thriving communities in Northampton	We will continue our strong relationship with Northampton Borough Council, meeting frequently with council colleagues and working in partnership.
	We are involved in a range of partnerships across Northamptonshire particularly in relation to improving community safety.
	We will continue our partnership work with third sector organisations, with a focus on the Community Interest Company.
5 Be an open, inclusive, effectively managed and trusted organisation	We will refresh our People Strategy, to ensure that our approach to people management continues to develop over the next three years.
	We will implement a new Payroll and HR system, improving functionality.
	We will be carrying out another Employee Opinion Survey in late 2018.
	Work will continue to embed compliance with the new General Data Protection Regulations across the organisation.

Value for Money

Northampton Partnership Homes (NPH) strives to generate value in all we do. Our vision is to provide homes which enable people to live happy and healthy lives in enriched communities, and it is essential that to deliver this we have Value for Money (VfM) at the heart of our business.

Our five key strategic priorities are:

- To deliver and maintain high quality homes and estates
- To deliver high quality customer focussed housing services
- To improve empowerment, opportunity and access for all
- To develop and maximise partnerships to build stronger, safer and thriving communities in Northampton
- To be an open, inclusive, effectively managed and trusted organisation

We define VfM as obtaining the maximum benefit from the resources available to the organisation to meet the needs and aspirations of our tenants and residents. It is about being effective in how we plan, manage and operate our business to best achieve the corporate vision.

We think of VfM in terms of the following equation:

VfM = Cost + Performance + Quality

where;
Cost = the price paid for what goes into providing a service such as salary costs, material costs etc.
Performance = measure of productivity i.e. how much is produced relative to the inputs. Performance is associated with staff and delivery of services as well as with the process and delivery of procurement.
Quality = measure of the impact achieved and can be quantitative or qualitative. Quality is primarily associated with the outcomes for customers, predominantly their satisfaction. This element relates to the social value achieved.

NPH does not believe VfM is solely concerned with achieving the lowest cost; it therefore retains a strong focus on improving services to tenants and reinvesting gains into the delivery of front line services. VfM is 'high' or positive when there is an optimum balance between all three elements.

VfM Indicators and Critical Success Factors

As an Arm's Length Management Organisation (ALMO), NPH is intrinsically linked to Northampton Borough Council (NBC). The performance of the Housing Revenue Account (HRA) is, ultimately, the place where the holistic financial performance can be demonstrated. NPH was set up to provide and improve housing services to the Borough. In removing the housing function from the Council certain performance measures were put in place to monitor NPH's progress. These measures are the Tier 1 and 2 performance indicators that NBC review quarterly and annually. These are the critical success factors for NPH and feature in the metrics below.

Overall NPH Performance

	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Target*
Headline Social Housing cost, £ per unit	4,778	4,521	4,177	*4,000*
% satisfied with overall service	72%	N/A	76%	*80%*
% satisfied with value for money of rent	66%	N/A	78%	*80%*
Staff cost, £ per unit	801	808	790	*777*

**targets are a mixture of internal aims and the businesses critical success factors (Tier 1 and Tier 2 performance measures) agreed with NBC. At the of writing some are still to be finalised.*

Satisfaction with service and value for money of rent are ultimately strategic, critical success factors. Tier 1 and Tier 2 performance measures include all service level satisfaction and cumulatively these result in the two satisfaction measures here. They are measured as part of the STAR survey. The last survey took place in October 2017 and there will be a mini, 'check-in' STAR survey carried out later in 2018. Improvement in these measures is clear when compared to the base position from 2015/16 which was the first year following creation of the ALMO.

Combine this improvement in service with the headline social housing cost and staff cost per unit reducing and it is clear that 'more' has been delivered for 'less' in the last 3 years. NPH aims to continue the trend on each indicator. We recognise that while progress has been made these levels of satisfaction are still not where we would like them to be and when benchmarking externally against the best performing organisations we still have a way to go. HouseMark, over the last 3 years, has the median score for these indicators between 85% and 90%.

Asset Management and Investment

	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Target*
% satisfied with overall quality of home	65%	N/A	69%	*75%*
% satisfied with major repair team doing the job expected	N/A	N/A	88%	*90%*
Capital spend, £ per unit	2,706	2,322	2,052	*2,093*

**targets are a mixture of internal aims and the businesses critical success factors (Tier 1 and Tier 2 performance measures) agreed with NBC. At the of writing some are still to be finalised.*

NPH has developed its programme of investment and regeneration over the past few years. The basis of this is to deliver 'all estate' improvement to areas and communities in a systematic way over time. The rationale is that the internals of the stock base are in good condition having fairly recently gone through the Decent Homes Programme, however there has been a general lack of investment in the structures and externals of the stock. Therefore it makes sense to improve a whole area in one go rather than cherry picking elements from across the whole portfolio. Of course this does not stop any investment in essential works to areas that are later in the programme and key works will always be completed to ensure a property is safe, secure and comfortable.

Satisfaction has again improved here. 4% more tenants surveyed are satisfied with the overall quality of their homes than was the case at the start of the management agreement. As with the overall NPH picture this increase in satisfaction has been achieved while reducing the cost of capital spend per unit of the service. In reality most of the reduction is reflective of reducing rents and therefore budget available following the Governments four year programme of 1% reductions. However, it is pleasing to see that improvement in satisfaction has been made while spending less. 2018/19 will have a higher investment into new housing provision, which is why we see the increase in the numbers above.

Investment into current and new stock is obviously important to the long-term viability of the HRA but it is also essential for social value generation within Northampton particularly when considering new provision of housing. Currently due to the levels of Right to Buy and new build provision there is a net loss to social housing across the Borough. This comes at a time when the housing waiting list is over 2,500 applications. NPH see it as a key responsibility to reverse this trend by adding to the net social housing stock, which means building more new homes. Plans are being developed to ensure that the resources are available and in the right place so that in the next few years NBC and NPH are able to maximise the ability to add to the Borough's housing stock.

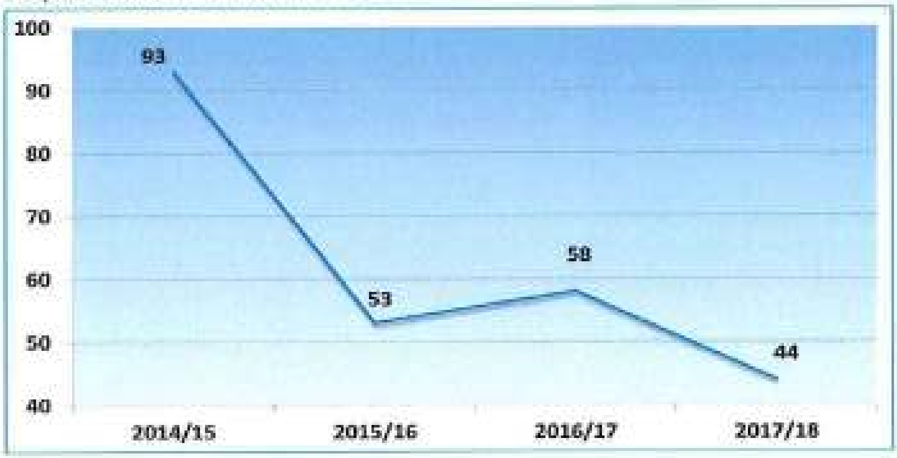
Housing Services

	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Target*
% satisfied with neighbourhood	68%	N/A	72%	*75%*
Current tenant rent arrears (CTA) %	1.95%	2.01%	2.25%	*3.0%*
Former tenant rent arrears (FTA) %	0.79%	1.08%	1.11%	*TBC*
CTA and FTA write off as % of rent roll	0.45%	0.51%	0.38%	*TBC*

**targets are a mixture of internal aims and the businesses critical success factors (Tier 1 and Tier 2 performance measures) agreed with NBC. At the of writing some are still to be finalised.*

As with the services discussed above, housing services has seen a sustained improvement in satisfaction levels over 3 years alongside a corresponding drop in the cost of the service. Much is delivered through this service area. Housing officers increasingly pick up the slack and support on social issues that have previously been specifically catered to by other Council budgets. Therefore, to continue to increase satisfaction on a reduced budget is even more impressive and speaks to the quality of staff at NPH. The Housing Management services are based on a theme of support and sustainment which are key to ensuring value is achieved. The monetary and social cost of a loss of a tenancy is far in excess of working to ensure tenants are able to sustain their tenancies in to the long term. Evictions in 2017/18 are at their lowest level for a number of years further evidencing the desire to see tenancies sustained. The following graph gives details.

Graph: Number of annual evictions



The Rehousing Service has a built in process to support vulnerable applicants through the rehousing system and develop a package of support to enable people to gain the skills required to manage a tenancy. We have also been working with the Local Authority and other RSL's on housing schemes such as Rentplus.

Tenancy management has dedicated ASB and Support teams, both of which we are working towards accreditation. The team can support tenants both in crisis and for longer periods of support ranging from six months to two years.

Future work will see Housing Officers working to develop estate plans with involvement from tenants, estates profiling and work on issues that are important to our tenants.
During the year we have re-procured two large service contracts; one for Estates Services and one for Grounds Maintenance. These contracts are an investment into the future and were not in place at the time of the last satisfaction survey. They are cost neutral to NPH, but VfM was a key part of the procurement process. Procurement is discussed in further detail in a dedicated section below.

The arrears position, and ultimately bad debts has an impact on value – the more rent collected the more resource available to invest through the HRA. Although the rent collected during the year (collection rate) has increased, the arrears indicator above shows a decreasing trend. It is important to understand the context that this is within. The biggest impact on this in the last few years has been the Government's Welfare Reform Program. Northampton will go 'full service' for Universal Credit (UC) in November 2018 which is expected to result in a further increase in the arrears percentage during 2018/19. Experience of UC from other areas of the country that have gone full service suggests an initial increase in arrears due to the process of transition. However the longer-term implications on whether this eventually leads to increased bad debts is largely unknown and it is this that has the potential detrimental impact to HRA value. Although we have seen an increasing arrears measure over the last few years, on the whole this has not resulted in higher bad debt to date and you can see from the write off indicator above that this has actually reduced in 2017/18.

Repairs and Maintenance

	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Target*
% satisfied with repairs and maintenance service	67%	N/A	72%	*75%*
% of repairs completed during first visit	98.49%	96.4%	96.97%	*97%*
% satisfied with repairs team doing the job expected	N/A	N/A	89%	*92%*
Repairs service cost per unit, £ per unit	1,077	1,084	1,112	*1,038*

**targets are a mixture of internal aims and the businesses critical success factors (Tier 1 and Tier 2 performance measures) agreed with NBC at the time of writing, some are still to be finalised.*

The repairs service shows some of the same characteristics as other services with increasing satisfaction. Costs per unit however have been increasing. This is more a function of the reducing stock numbers than the cost of the overall service. Budgets have been adhered to and stock unit numbers have reduced as a result of high numbers of Right to Buy. As with the other services though the satisfaction levels are below benchmark median positions, so we strive to continue to make improvements. The targeted (and budgeted) position for 2018/19 is to reduce the cost per unit of repairs and we expect to meet this target.

Satisfaction with the repairs team doing the job expected is a new measure and one which helps us identify where we might be able to improve. At 89% satisfaction performance is fairly strong and when compared to satisfaction with the overall service it leads us to conclude that we do get the repair done and when we do it is to a satisfactory standard. This gives us comfort that from a 'front line' perspective we have a good quality of staff delivering the repair. Work will continue to close the gap between these two measures and initiatives are in place looking at the processes involved with booking repairs including having an online service provision as an additional channel to delivery.

Void costs

The voids process is one area that has received attention during the year. Managing voids well leads to quicker turnaround times resulting in lower lost rents, and reduced cost in getting property back to lettable standards. Voids work has been incorporated into a newly formed voids control team. The process has been streamlined and this has resulted in a reduction in void properties and an increase in performance of £500k saving to void rent loss from our position in the previous year.

Procurement

Procurement activity at NPH is seen as one of the most important channels to improving VfM. The function plays a key role in delivering VfM for all works or services we buy in from external companies. NPH has developed and embedded a procurement strategy which has VfM as one of its key objectives. The strategy was reviewed and refreshed at the end of 2017/18 and was approved by the Board in March 2018.

NPH's approach in assessing value is to focus on the important elements for each contract, whether that is cost, service delivery improvements, efficient processes, risk management or social value and to develop tender evaluation criteria that are weighted according to the importance of each for that particular contract. We don't have a standard price / quality split or standard evaluation criteria as the factors are different for each contract.

Any efficiency delivered through the procurement process, either through cost reduction, process efficiency or any other factors are captured and recorded centrally. A total cost saving of £519,000 was delivered through procurement activity in 2017/18. A summary of some of the key projects is given below.

- The re-procurement of the van fleet delivered a saving of £127,600. This was through a reduced lease cost and a reduction in the number of vehicles.
- The managed agency staff contract delivered a saving of £49,500 through lower rates
- The gas servicing contract procured in 2015 continues to deliver year on year savings of around £140,000 compared to the previous contract.
- Energy supply contracts for communal areas delivered a saving of around £55,000 compared to the previous NBC contracts.

In Summary

We are pleased with the direction of travel over the three years since the company was founded. It is clear by a number of measures of VfM above that there has been an increase in value to NPH's tenants and the HRA in general. Quality has increased as measured by satisfaction and cost has decreased. Performance against strategic critical success factors is strong and we are looking towards improving the long-term value and viability of the HRA.

However, we recognise that continued progression is essential. When compared to external benchmarks in a number of the areas above we still have much to do. The plan for the coming years is to continue to target improvement in the metrics seen above.

Services that are efficiently and effectively delivered at the right price mean that over the long-term NPH and NBC will be able to deliver happier and healthier communities that support more of those in need and most importantly provide people with the strong foundation of a home that is essential to furthering aspiration.

Governance

At the company's annual general meeting in October 2017, the Board resolved to change NPH's Articles of Association. The principle changes were to reduce the size of the Board, and to allow the remuneration of board members.

The board now consists of equal representation of four tenants, four councillors and four independents. The resolution removed employee representatives from the Board.

The board members during the year are listed on page 3.

Board members are drawn from a wide background bringing together professional, commercial and public sector experience. Councillors are nominated to the Board by Northampton Borough Council. Independent and Tenant board member positions are openly advertised and appointed following an application and skills assessment process.

Board members receive a comprehensive and tailored induction on joining the Board and regularly update and refresh their skills and knowledge. Each year, the Board undertakes a 360 degree appraisal process, to reflect on individual and collective performance. The outcomes inform the Board's annual training and development programme.

The primary role of the board is to focus on strategic direction, growth and risk. The board meets formally at least six times a year for regular business, and at other times to discuss strategic issues. Attendance at Board meetings during 2017/18 was 80%

The Board has the following committee structure. Membership of these committees consists of board members:

- Audit and Risk Committee
- Finance Committee
- Operations & Resource Committee
- Policy, Planning & Development Committee
- Remuneration and review Committee

Following the amendment to the articles of association, the board resolved to remunerate the Chair of the board, and committee chairs for undertaking their duties and responsibilities. The board delegates the day to day management of the business to the Chief Executive Officer and executive directors who form the Executive team. The Executive team meet weekly and the directors attend meetings of the board and committees.

Significant risks and uncertainties

The management fees paid to NPH are set annually in advance and are the financial resources available to deliver the requirements of the Delivery Plan. The fees are funded from the Housing Revenue Account (HRA) and, to a much lesser extent, the Council's General Fund.

The long-term success and viability of NPH is largely linked to the HRA, and legislative changes continue to have a significant impact on funding. NPH will monitor this by working very closely with the Council. Universal Credit may have an impact on the income collected in the HRA and NPH continue to review collection activity and work with peers to try to mitigate any negative impact of the full roll out of Universal Credit in Northampton in November 2018. Activity to date in the social housing sector suggests that it is almost guaranteed that arrears will rise during the transition and that the longer-term impact in terms of actual bad debt is yet to be fully felt. Work will continue to ensure that it has as little negative effect as possible on the resources available to NPH and the Council.

The Government recently appointed an Inspector to carry out a 'Best Value Inspection' of Northamptonshire County Council following issues with their compliance with the Local Government Act 1999. The results of this inspection have been published and will likely have far reaching consequences for the political landscape of Northampton. This will impact on NPH which is a subsidiary company of the Borough Council as the proposal for improvement is to create two unitary councils for the wider Northamptonshire area. This is expected to be carried out following elections to be held in May 2020.

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 2 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 has now committed to a return to increasing rent from April 2020. The basis of increase is to be CPI + 1% for 5 year until 2025. Beyond that point there is no rent certainty.

Outside of the management fee NPH 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, budgetary and management controls are put in place along 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 that are part of the Management Agreement.

The Board and Senior Management take their responsibility for risk management seriously and have set a strategy that is reviewed annually. The risk management framework has at its heart a corporate risk register that has input from board, senior management, operational risk registers and project risk registers. A recent Internal Audit of the Risk Management Framework bestowed a verdict of 'substantial assurance', the highest possible, giving all stakeholders a good level of assurance that risk has sufficient prominence through all levels of the business.

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 4th July 2018 and signed on its behalf

D J Latham
Chair

DIRECTORS' REPORT

Board Members

The board members during the year are listed on page 3.

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 Board Members responsibility

The board members 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 board members 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 Board Member's Interest

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

Assessment of the effectiveness of Internal Control

The board acknowledges its responsibility for ensuring that effective systems of internal control are maintained and operated throughout the company.

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

It is based on a framework of regular management information, financial regulation, administrative procedures, management supervision and a system of delegation and accountability. For further information see the Statement of Internal Control on page 20.

Recruitment

Northampton Partnership Homes strives to be an accessible employer of choice.

It operates a scheme where candidates with disabilities can request an automatic interview if they meet the essential criteria for the post.

Employee Involvement

We value our employees 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. Employee forum meetings continue to be held every three months. The introduction of the Making a Difference Awards help recognise excellent employee commitment to the organisation and its customers.

Employee Development

A key piece of work in 2017/18 was the staffing restructure. Teams have subsequently evolved and to ensure there is the necessary capacity and expertise to deliver the strategic objectives, an investment has been made in relation to employee training and development.

A wide variety of training has been, and continues to be carried out, including apprenticeships, technical training, and bespoke training with over 100 courses undertaken in the last 12 months.

A new appraisal scheme, based on the competency framework, complements the support and development provided to all employees, who also receive regular one to one meetings and performance review meetings with their line managers.

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.

Going Concern

The board are of the opinion that Northampton Partnership Homes has adequate resources to continue in operational existence for the foreseeable future, and continues to adopt the going concern basis in preparing the financial statements.

The company has a 15 year contract in place with Northampton Borough Council, which commenced in January 2015. Management fees are paid in return for delivery of housing management and maintenance services, as prescribed in the management agreement.

Disclosure of information to Auditors

The board members who held office at the date of signing this report confirm that:

i) so far as each board member is aware, there is no relevant audit information of which the company's auditors are unaware,

ii) The board members 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

Independent Auditors

A resolution to appoint the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Approval

The Director's Report was approved by the Board on 4th July 2018 and signed on its behalf

D. J. Latham

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 and is discussed in further detail below.

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 twelve members including four tenant representatives, four Council elected members, and four independent members. The structure of the Board is such that no single group holds a majority position.

During 2017/18 the Board met approximately every six weeks. The Board is supported by five Committees; Finance, Audit and Risk, Operations and Resource, Planning Policy and Development, and Remuneration and Review. Each Committee, apart from Policy, Planning and Development Committee and Remuneration and Review Committee, comprised six Members of the Board and met approximately every six weeks. Remuneration and Review Committee had three members and Policy, Planning and Development Committee had five members, consisting of Board Chair and vice chair, and committee chairs. Both of these committees met less regularly. No committees have delegated powers in their specific terms of reference but they consider the detail of matters under their remit and make recommendations 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.

Since the year end date meeting timing have been reviewed

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 and includes 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 responsibility 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 Internal Audit report was reviewed by the Audit and Risk Committee on 8th May 2018 and provided positive assurance to the board on 16th May 2018 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.

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 varies from 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 20th December 2017. 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.

This framework is reviewed annually by the Internal Auditor to confirm that it is still relevant. It was given 'substantial assurance', the highest level, in the review process in January 2018.

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. There remains a small number of examples where the Council's 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

Opinion

We have audited the financial statements of Northampton Partnership Homes Limited (the 'company') for the year ended 31 March 2018 which comprise statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash-flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has 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 or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

William Devitt
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

6 July 2018

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2018

	Notes	2017/18 £000's	2016/17 £000's
Revenue	2	49,416	53,286
Total Revenue		**49,416**	**53,286**
Employee benefits expenses	4 & 18	(11,999)	(11,273)
Other expenses	3 & 4	(36,661)	(41,395)
Total expenses		**(48,660)**	**(52,668)**
Operating Profit		756	618
Finance costs	11	(368)	(432)
Finance Income	21	2	2
Profit before tax		**390**	**188**
Taxation	12	-	(5)
Profit for the year		**390**	**183**
Other Comprehensive Income			
Remeasurement of pension assets and liabilities	20	718	(2,085)
Total Comprehensive profit/(loss) for the year		**1,108**	**(1,902)**

STATEMENT OF FINANCIAL POSITION
At 31st March 2018

	Notes	2017/18 £000's	2016/17 £000's
ASSETS			
Non-Current			
Property, plant and equipment	5	1	1
Non-current assets		1	1
Current			
Inventories	7	98	109
Trade and other receivables	8	6,073	7,639
Cash and cash equivalent	9	1,683	1,227
Current assets		7,854	8,975
TOTAL ASSETS		**7,855**	**8,976**
LIABILITIES			
Current			
Trade and other payables	10	(6,931)	(8,842)
Employee benefits accrual	19	(119)	(56)
Current liabilities		(7,050)	(8,898)
Non-current			
Pension liability	20	(13,817)	(14,199)
Non-current liabilities		(13,817)	(14,199)
TOTAL LIABILITIES		**(20,867)**	**(23,097)**
NET LIABILITIES		**(13,012)**	**(14,121)**
Equity and Reserves			
Pension Reserve		(13,817)	(14,199)
Insurance Reserve		138	113
Retained Earning		667	(35)
TOTAL EQUITY	14	**(13,012)**	**(14,121)**

Signed for and behalf of the Board of Directors on 4th July 2018

D J Latham
Chair

Company No 09019453

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2018

	Notes	Pension Reserve £000's	Insurance Reserve £000's	Retained Earnings £000's	Total Equity £000's
Opening Balance at 1st April 2017	14 & 20	(14,199)	113	(35)	(14,121)
Profit for the period		-	-	390	390
Transfer to Insurance Reserve		-	25	(25)	-
Other Comprehensive income					
Remeasurement of pension assets and liabilities	20	718	-	-	718
Transfers to pension reserve	20	(336)	-	336	-
Total Comprehensive gain for the year		382	25	701	1,108
Balance at 31 March 2018		(13,817)	138	667	(13,012)

for the Year Ended 31 March 2017		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)
Loss for the period		-	-	183	183
Other Comprehensive income					
Remeasurement of pension assets and liabilities	20	(2,085)	-	-	(2,085)
Transfers to pension reserve	20	207	-	(207)	-
Total Comprehensive loss for the year		(1,878)	-	(24)	(1,902)
Balance at 31 March 2017		(14,199)	113	(35)	(14,121)

STATEMENT OF CASH FLOWS
for the year ended 31 March 2018

	Notes	2017/18 £000's	2016/17 £000's
Cash flows from operating activities			
Profit before tax		390	183
Adjustments (non-cash items)	13	3,168	2,262
Contributions to defined benefit plans	20	(2,831)	(2,469)
Net changes in working capital	13	(272)	171
Net Cash flow from operating activities		**455**	**147**
Net cash change in cash or cash equivalents		**455**	**147**
Cash, cash equivalents and bank overdrafts at the beginning of the year		**1,227**	**1,080**
Cash, cash equivalents and bank overdrafts at the end of the year		**1,682**	**1,227**

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 and 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 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.

1.13 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.

1.14 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 Statement of Financial Position 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 Statement of Financial Position 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.

1.15 Going concern

The financial statements have been prepared on a going concern basis. Forecast profile of income and expenditure for 2018/19 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 1 key exception: Specialist Fleet Services who provide vehicle hire services to the Council who then sublet to Northampton Partnership Homes. This arrangement is coming to an end and during 2017/18 a new lease agreement between NPH and SFS has been signed. This is a phased approach and any new vehicles ordered will be under the new contract.

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.

1.16 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.

1.17 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.

1.18 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 Statement of Financial Position 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 Statement of Financial Position respectively and the Comprehensive Income and Expenditure Statement adjusted accordingly.

1.19 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.

1.20 Events after the Statement of Financial Position date

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

1.21 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.

1.22 Contingent assets and liabilities

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

1.23 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 Statement of Financial Position 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.

	2017/18 £000's	2016/17 £000's
Management fee paid by Northampton Borough Council	49,416	53,286
	49,416	53,286
Analysed as:		
Management Fee - Housing Revenue Account	13,401	12,929
Management Fee - General Fund	314	237
Repairs & Maintenance	12,203	12,401
Capital	23,229	27,509
Other	270	210
Total Revenue	**49,416**	**53,286**

3. Other Expenses

Other expenses comprise of:

	2017/18 £000's	2016/17 £000's
Management Fee - Housing Revenue Account	4,285	4,854
Management Fee - General Fund	286	211
Repairs & Maintenance	7,493	7,612
Capital	23,229	27,510
Special Services	1,368	1,208
Total	**36,661**	**41,395**

4. Operating Profit

The operating profit is reported after charging the following costs:

	2017/18 £000's	2016/17 £000's
External Audit Fees - Grant Thornton UK LLP		
– Audit Services	19	19
– Other Services	6	8
Internal Audit Fees - RSM Risk Advisory Services	38	40
Operating Lease	380	475
The following table analyses the nature of expenses as Follows:		
Staff costs	11,999	11,273
Other Operating Costs	36,661	41,395
	48,660	52,668
These cost are further analysed by funding pot		
Management Fee - Housing Revenue Account	8,594	8,712
Special Services	3,526	3,366
Management Fee - General Fund	316	238
Repairs & Maintenance	12,996	12,842
Capital	23,229	27,510
	48,660	52,668

5. Property, Plant and Equipment

Northampton Partnership Homes Ltd currently owns property and plant costing £2,000 the value at 31 March 2018 was £600. Depreciation has been applied in line with current 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 during the year £177k was charged to operating expenses in the Statement of Comprehensive Income.

	2017/18 £000's	2016/17 £000's
Inventories	98	109
Total	**98**	**109**

8. Trade and Other Receivables

	2017/18 £000's	2016/17 £000's
Sundry Debtors	41	10
Amounts due from Northampton Borough Council	5,052	5,760
Payments in Advance	140	585
HMRC - VAT	840	1,284
Total	**6,073**	**7,639**

9. Cash and Cash Equivalents

	2017/18 £000's	2016/17 £000's
Cash in Hand	1	1
Bank current account	1,682	1,226
Total cash and cash equivalents	**1,683**	**1,227**

10. Trade and Other Payables

	2017/18 £000's	2016/17 £000's
Trade payables	3,882	5,543
Amount owed to Northampton Borough Council	2,734	2,916
Tax and Social Security	188	379
Sundry Accruals	128	4
Total trade and other payables	**6,931**	**8,842**

11. Finance Cost

	2017/18 £000's	2016/17 £000's
Finance Costs	(368)	(432)
Total	**(368)**	**(432)**

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 relievable 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

Adjustments (non-cash items)	2017/18 £000's	2016/17 £000's
Current service costs	2,799	1,830
Net pension interest costs	369	432
Total Adjustment	**3,168**	**2,262**

Net changes in working capital	2017/18 £000's	2016/17 £000's
Change in trade and other receivables	1,566	(1,069)
Change in trade and other payables	(1,911)	1,237
Change in employee benefits accrual	63	28
Movement in Stock	11	(25)
Capital Expenditure	-	-
Net changes in working capital	**(272)**	**171**

14. Reserves

Retained Earnings and Reserves	Notes	2017/18 £000's	2016/17 £000's
Profit for the year		390	183
Remeasurement of pension assets and liabilities	20	718	(2,085)
Total Comprehensive Profit /(Loss) for the year		1,108	(1,902)
Analysis of Reserves			
Opening position at 1st April		(14,121)	(12,219)
Profit and Loss (usable)		1,255	(349)
Pension deficit		(262)	(1,666)
Insurance Reserve		138	113
		1,131	(1,902)
Closing position at 31st March		**(12,990)**	**(14,121)**

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 £13.7m for management services to the Council relating to 2017/18. 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 £12.2m and £23.2m 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 2018 the Council owed the Company £2.3m. 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:

	2017/18 £000's	2016/17 £000's
Wages and salaries	385	453
Social security cost	43	51
Pension cost	53	48
Severance Payments	30	-
Total	**511**	**552**

Director's remuneration

The Directors' of the Company are detailed on page 2. Directors' remuneration includes the following expenses:

	2017/18 £000's	2016/17 £000's
Wages and salaries	5	-
Total	**5**	-

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 Ltd has no contingent liabilities at the 31st March 2018.

18. Employee Benefit Expense

Expenses recognised for employee benefits are analysed as follows:

	2017/18 £000's	2016/17 £000's
Wages and salaries	7,983	7,916
Social security cost	759	771
Pension cost	2,796	1,830
Temporary Staff	461	756
Total	**12,000**	**11,273**

The average number of full time equivalents for the year was 257 (2016/17 - 268).

19. Employee Related Benefit Accrual

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

	2017/18 £000's	2016/17 £000's
Employee related benefit accruals	119	56

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 2017/18 the employer's rate was 16.4%, (2016/17 13.3%) and employees contribute variable rates which increase on banded salary ranges. At 31st March 2018 the scheme had 236 (2016/17: 244) 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:

	2017/18 £000's	2016/17 £000's
Opening balance at 1 April	30,256	22,535
Current service cost	2,799	1,830
Interest cost on pension liabilities	824	848
Contributions by scheme participants	163	266
Remeasurment – Gain on financial assumptions	(806)	4,777
Closing balance at 31 March	**33,236**	**30,256**

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

Inflationary assumptions	2017/18 End of Period %	2017/18 Start of Period %
Rate of Inflation (CPI)	2.4	2.4
Rate of Inflation (RPI)	3.4	3.4
Rate of increase in salaries	2.7	2.7
Rate of increase in pensions	2.4	2.4
Discount Rate	2.7	2.6

Mortality assumptions:	2017/18 End of Period years	2017/18 Start of Period years
Life expectancy for current pensioners aged 65:		
Men	22.1	22.1
Women	24.2	24.2
Life expectancy for future pensioners aged 65 in 20 years time:		
Men	23.9	23.9
Women	26.1	26.1

Analysis of plan assets as follows:

	2017/18 £000's	2016/17 £000's
Opening balance at 1 April	16,057	10,214
Interest on plan assets	456	416
Remeasurements (assets)	(88)	2,692
Employer contributions	2,831	2,469
Benefits paid	(297)	(201)
Contributions by members	460	467
Closing balance at 31 March	**19,419**	**16,057**

Fair value of plan assets	**2017/18 £000's**	**2016/17 £000's**
Equity Securities		
Consumer	1,387	1,172
Manufacturing	65	37
Energy & Utilitities	1,102	953
Financial Institutions	1,345	1,176
Health Care	547	565
Information Technology	1,374	1,095
Other	1,241	1,063
Debt Securities		
UK Government	1,627	1,444
Private Equity		
All	104	27
Real Estate		
UK Property funds	1,469	1,174
Overseas Property Funds	70	73
Investment Funds and Unit Trusts		
Equities	7,141	5,617
Bonds	1,427	1,277
Cash and Cash Equivalents		
All	520	384
Total	**19,419**	**16,057**

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

	2017/18 £000's	2016/17 £000's
Fair value of plan assets	19,419	16,057
Present value of funded obligation	(33,236)	(30,256)
Deficit in scheme	**(13,817)**	**(14,199)**

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

	2017/18 £000's	2016/17 £000's
Remeasurment (liabilities):		
Experience gain	-	262
Gain/(Loss) on financial assumptions	806	(5,037)
Other	-	(2)
Remeasurment (assets)	(88)	2,692
Actuarial gain/(loss) recognised in the Statement of Changes in Equity	**718**	**(2,085)**

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

	2017/18 £000's	2016/17 £000's
Current service cost	(2,799)	(1,830)
Interest cost on pension liabilities	(824)	(848)
Interest on plan assets	456	416
Total charged to the Statement of Comprehensive Income	**(3,167)**	**(2,262)**

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 2018	Approximate % increase to Employee Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	13%	4,222
0.5% increase in the Salary Increase Rate	3%	847
0.5% increase in Pension Increases Rate	10%	3,304

Estimated Employer's contributions for the period to 31 March 2019 will be approximately £2,831,000.

21. Finance Income

	2017/18 £000's	2016/17 £000's
Investment income from cash and cash equivalents	2	2
Total	**2**	**2**

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.

	Notes	Current 31/03/2018 £000's
Trade and other receivables	8	5,232
Cash and cash equivalents	9	1,683
Total		**6,915**

		Current 31/03/2017 £000's
Trade and other receivables	8	6,354
Cash and cash equivalents	9	1,227
Total		**7,581**

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.

	Notes	Current 31/03/2018 £000's
Trade and other payables	10	(6,743)
Total		**(6,743)**

		Current 31/03/2017 £000's
Trade and other payables	10	(8,462)
Total		**(8,462)**

Cash Flow

The Company's primary source of revenue is from the Council either through the Management Fee (£13.4m) or the capital (£23.2m) and Repairs & Maintenance Fee (£12.2m) 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 arrangements with Northampton Borough Council will expire once the company replace existing vehicle.

Expenditure on operating leases during the year totalled £380k (2016/17 £475k) and was included in operating costs in the Statement of Comprehensive income.

	Within 1 year £000's	1 to 5 years £000's	Total £000's
31st March 2018	273	932	1,204

	Within 1 year £000's	1 to 5 years £000's	Total £000's
31st March 2017	373	957	1,330

Occupation of the premises by NPH for the period to 31st March 2018 is under a Tenancy at Will Agreement. This arrangement has not been included in the Financial Statements as an operating lease, 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.