



REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2017



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NPT Homes Limited

Report and financial statements for the year ended 31st March 2017

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Board Members

		Appointed	Retired/Resigned
Jonathon Davies	Chair and Independent Member	22 nd Sept 2016 (co-optee to 23 rd March 2017)	
Helen James	Independent Member	28 th July 2015	
Harry Lloyd	Independent Member	28 th June 2012	
Steve Mundy	Independent Member	4 th March 2011	
Denise Davies	Tenant Member	28 th July 2015	
Daniel Smith	Tenant Member	28 th July 2015	
Samantha Jones	Tenant Member	28 th July 2015	
Alan Lockyer	Council Nominee	28 th June 2012	
Rosalyn Davies	Council Nominee	25 th May 2011	
Steffan ap Dafydd	Council Nominee	31 st May 2017	
Annette Wingrave	Council Nominee	31 st May 2017	
Mike Jones	Independent Member (co-optee)	25 th May 2017	
Peter Maggs	Independent Member (co-optee)	26 th January 2017	
Shelley Bosson	Independent Member (co-optee)	22 nd September 2016	
Carol Clement-Williams	Council Nominee	24 th March 2016	31 st May 2017
John Rogers	Council Nominee	28 th June 2012	4 th May 2017
Roger Williams	Chair and Tenant Member	4 th March 2011	23 rd June 2016
Brian Davies	Independent Member	4 th March 2011	23 rd June 2016

Senior Management Team

Linda Whittaker	Chief Executive
John Andrew	Director of Finance & Corporate Services, Company Secretary
Claire Maimone	Director of Housing
Steve Tucker	Interim Director of Assets

INFORMATION

Other information:

Registered Office

Tŷ Gwyn
 Brunel Way
 Baglan Energy Park
 Neath
 SA11 2FP

Bankers

Barclays Bank
 3 Windsor Place
 Cardiff
 CF10 3ZL

Funders

Royal Bank of Scotland
 280 Bishopsgate
 London
 EC2M 4RB

Nationwide
 Moulton Park
 Northampton
 NN3 6NW

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

Solicitors

Trowers & Hamblins
 40 Tower Hill
 London
 EC3N 4DX

Blake Morgan
 Bradley Court
 Park Place
 Cardiff
 CF10 3DR

Capsticks
 Staple House
 Staple Gardens
 Winchester
 SO23 8SR

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

Geldards
 Dumfries House
 Dumfries Place
 Cardiff
 CF10 3ZF

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 Halmont House
 Churchill Way
 Cardiff
 CF10 2HE

Addleshaw Goddard
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 PO Box 8
 Sovereign Street
 Leeds
 LS1 1HQ

Devonshires
 30 Finsbury Circus
 London
 EC2M 7DT

External auditor

Mazars LLP
 45 Church Street
 Birmingham
 B3 2RT

Internal auditor

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

FCA registration number
WG registration number

31041R
 L154

STRATEGIC REPORT

The Board presents its Strategic Report, Board Report and the audited Financial Statements for NPT Homes Limited (the organisation) for the year ended 31st March 2017.

STRATEGIC MANAGEMENT

1. Principal Activities

The organisation was established as a result of a large scale voluntary transfer (LSVT) from Neath Port Talbot County Borough Council's (NPTCBC's) housing stock on 4th March 2011.

Its principal activities are to provide affordable homes and assist in community development primarily within the County Borough of Neath Port Talbot. It owned, managed and maintained 9,076 rented properties, 553 leasehold flats, 15 shops and 784 garage plots at 31st March 2017.

2. Name Change

After achieving the key goals agreed at the creation of NPT Homes, notably bringing our properties up to the Welsh Housing Quality Standard (WHQS), the Board has taken the decision to change the name of the business reflecting a new phase in the organisation's development. This supports an exciting opportunity for NPT Homes to stand out within the housing sector as detailed in our new Corporate Plan for 2017-20.

Tenants and staff were invited to take part in a working party to suggest new names and following a staff vote on St David's Day, Tai Tarian was selected as the clear favourite. Tai Tarian translates as "shield housing" and invokes the themes of strength and protection, reinforcing that the organisation does not just provide homes, but also offers support for our tenants and communities. The change was approved at a Special Members' Meeting on 23rd March 2017. It is anticipated that the new name will be launched in the summer of 2017. Our name will remain as NPT Homes until all regulatory approvals have been obtained.

3. Vision and Values

The organisation has adopted 'Making a Difference' as its vision which is supported by our mission of 'Great Homes, Great Communities'. Staff, tenants, and Board members worked together to agree the organisation's values:

- teamwork
- honesty
- professionalism
- respect
- commitment.

STRATEGIC REPORT

Sitting alongside our three year corporate plan we also have a set of local outcomes that have been developed by staff, tenants, Board members, leaseholders and community partners and are aligned to the Welsh Government’s delivery outcomes. They are set out below and describe the desired impact of our work on customers and other stakeholders and ensure we are all working towards achieving the same goals.

Inside and outside our homes - we provide desirable homes and estates that people want to live in.	Economic Stability - we are a financially sound and viable business that supports the financial well-being of our tenants and communities.
Partnerships - we have strong, open, transparent partnerships with all relevant stakeholders for the benefit of the community.	Communication - tenants are better able to access appropriate services based on clear information.
Secure homes and estates - tenants feel safe and secure living in well-managed environments.	Getting Involved - tenants, members and residents experience enhanced skills, confidence and active citizenship through engagement opportunities.
Sustain tenancies/independent living - we help tenants stay in the homes they need in a place that they want to live by providing advice, support and access to services.	Governance - we make sure our purpose is clear and we achieve what we set out to do - knowing who does what and why.

We undertake regular self-evaluation to measure our performance against these outcomes. This enables us to clearly identify the good work we are doing in achieving desired outcomes and it also helps us to identify areas for improvement.

Details of the self-evaluation we have undertaken during 2016/17 can be found on our website: [npthomes.co.uk/about us/corporate information/making a difference](http://npthomes.co.uk/about-us/corporate-information/making-a-difference).

4. Offer Document Promises

The Transfer Offer Document outlined 118 promises, 111 of which have been completed and signed-off by the Board. The remaining 7 promises are due for completion in 2017/18.

	31 st March 2017	31 st March 2016
Complete	111	105
In progress	7	13
Total	118	118

Further details can be found on our website: [npthomes.co.uk/about us/corporate information/offer document promises](http://npthomes.co.uk/about-us/corporate-information/offer-document-promises).

STRATEGIC REPORT

5. Strategic Objectives

Top 10 Corporate Priority Projects from 2014/17

During the year we have worked to complete our Corporate Plan for 2014-17 and the Corporate Top 10 Priority Projects which supported delivery of the Corporate Plan. Two of the projects had been completed in 2015/16 and key achievements against the remaining projects during 2016/17 are shown below. Where appropriate actions will continue as part of our new Corporate Plan for 2017-20 which is set out later in this report.

Project Title	Description
Accurate Records & Core Systems	<ul style="list-style-type: none"> Completed update to critical property and tenancy information Core data inputting procedures finalised and staff trained to ensure ongoing accuracy
Commerciality	<ul style="list-style-type: none"> Essence of commerciality and value for money presented to all staff Implemented new defined contribution pension and revised core terms and conditions of employment for new starters from 1st April 2016 Revised procurement strategy enabling delivery of value for money across the organisation.
Organisational Development	<ul style="list-style-type: none"> Making a Difference Dialogue (MADD) employee performance process introduced Completed roll out of E-Learning training for all office staff Leadership programme established providing a clear framework for managers to use
Customer Experience	<ul style="list-style-type: none"> Development of Customer Experience Vision and Service Standards Completed roll out of telephone training
Leaseholder Management	<ul style="list-style-type: none"> Revised consultation process for major works, repairs and maintenance Service charges for 2017/18 better reflect tenanted property charges Insurance savings for leaseholders following policy renewal Targeted buy back of individual leaseholder properties is underway – 11 completed in the year
Development Opportunities	<ul style="list-style-type: none"> Potential development land holdings assessment completed New build developments agreed, comprising of 23 units across 3 schemes
Service Charges	<ul style="list-style-type: none"> De-pooling of rent and service charges completed Proportion of costs recovered through service charges improved to over 80%
Supporting Sustainable Tenancies	<ul style="list-style-type: none"> Universal Credit (UC) team has been expanded and dealt with over 100 UC cases Development of training and communication strategies to assist in the roll out and understanding of UC Traffic light approach to arrears management now fully implemented

STRATEGIC REPORT

6. Future Plans

Delivering our Corporate Plan 2017-20

NPT Homes' approved Corporate Plan for 2017-20 outlines our long-term vision, mission and strategic objectives. The Plan recognises the need to continue to build upon the achievements of delivering WHQS and sets out the following four strategic objectives:

- **Continue to invest in our properties and communities**
 Our plans include upgrading our neighbourhoods through our external boundaries programme and continuing to maintain our properties to WHQS. We also have exciting plans to develop new services and employment initiatives for our communities.
- **Develop our workforce to improve effectiveness of service delivery**
 We will continue to develop our staff by adapting to reflect the changing priorities of our customers and the organisation. Our plans include enhancing the skill levels of our staff and improving customer service through excellent leadership.
- **Maximise our use of technology to deliver what matters to customers**
 We will review our processes to ensure we are delivering the best possible customer experience. Our plans also include providing solutions which make it as easy as possible for customers to interact with us.
- **Pursue opportunities for growth**
 Our ambition is to grow our housing stock and develop new homes and we already have opportunities in hand as set out below. We will also explore opportunities for greater collaboration with other organisations.

Development opportunities

We have been successful with planning and grant applications for three new development schemes in the Borough. The schemes include the redevelopment of an old sheltered housing scheme in Skewen, containing twelve one bedroom flats, four two bedroom houses and one bungalow.

Two smaller developments are also due to start, one in Neath consisting of four one bedroom flats and a semi-detached two bungalow scheme in Port Talbot.

In total the schemes have attracted £1.5 million grant funding from the Welsh Government.

In addition we continue to pursue opportunities to purchase suitable existing properties in order to address demand for smaller (one and two bedroom) units and to replace stock lost through the Right-to-Buy.

STRATEGIC REPORT

7. Business Environment

1. Principal Risks and Uncertainties

NPT Homes recognises that taking risks in a controlled manner is fundamental to its activities and a higher risk may be acceptable for some activities, such as development of new housing schemes compared to other ongoing activities. The level of uncertainty in the external environment may also determine the acceptable level of risk. It is the responsibility of the Board to articulate clearly their risk appetite and to gain their own assurance that we are identifying and managing effectively. The Welsh Government's assessment of housing sector risks is considered as part of the process for identifying the risks facing the organisation.

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

Under its risk management policy the organisation records the risks it faces in a register and then assesses the likelihood of it occurring together with its impact, whether financial, operational, regulatory, reputational or relating to health and safety. This gives an overall score for each risk. Each is then ranked and a range of responses agreed which include actions to tolerate, treat, transfer, terminate or exploit the risk.

Risk management is embedded throughout the organisation's culture and a continuous process of monitoring and review is undertaken dependent on the activity, impact and likelihood of each risk occurring.

The top 5 strategic risks which the organisation is currently addressing are:

- **Pension scheme deficit**

The risk of increased exposure to rising pension contribution costs and deficit related to our membership of the Local Government Pension Scheme which is a defined benefit scheme. A Legal & General defined contribution scheme for new starters was introduced in April 2016 to reduce the impact of this risk.

- **Rent Policy**

The risk that the Welsh Government may amend or restrict the current rent policy in a way which negatively impacts the organisation's ability to achieve its strategic objectives. We are engaged in consultation with Welsh Government, through Community Housing Cymru (CHC), to mitigate this risk.

STRATEGIC REPORT

- **Local Housing Allowance Cap**

The negative impact on tenants of the recent UK Government announcement that the amount of rent and service charges that Housing Benefit will cover will be capped from 2019. We are undertaking financial modelling of the possible impact and identifying/implementing a range of mitigating actions.

- **Reclassification of Welsh Housing Associations**

Failure to secure the reclassification by the Office for National Statistics (ONS) of Welsh housing associations back to the private sector may harm our ability to raise funding in the future. We are working with CHC to ensure reclassification is successfully achieved.

- **Former Tenant Arrears**

The risk that former tenants may default on arrears of rent, service charges and rechargeable works. We are improving our processes around the ending of tenancies in order to reduce the risk of arrears and implementing new processes to collect any arrears which do arise.

2. Financial Risk Management

Cash Flow Risk

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

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

Budgets, forecasts and long term business plans are used to ensure that the business always has access to the funds required to deliver its objectives.

Credit Risk

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

The organisation’s credit risk is primarily attributable to its rent arrears which are actively managed. The amounts presented in the Statement of Financial Position are net of allowances for bad debts.

STRATEGIC REPORT

Liquidity Risk

NPT Homes uses a combination of long term and short term debt finance to maintain liquidity, ensuring that sufficient funds are available for ongoing operations and future developments. The organisation holds cash, short term investments and has access to grants and a £130m loan facility with a syndicate of funders, led by Banco Santander.

The loan facility is measured against covenants (including net debt per unit, cumulative cash flow deficit and value of loans outstanding compared to the value of housing stock) whose output levels are set by funders' approval of the 30 Year Business Plan which is updated each year.

Details of the loan facilities in place can be found on page 46 of the financial statements.

The organisation has not entered into trading transactions in financial instruments and has further minimised its risk by not having any abnormal exposure to price, credit, liquidity and cash flow risks arising from its trading activities.

8. BUSINESS PERFORMANCE

Performance and Position

The organisation reports a surplus for the year of £9.6m (2016: £13.0m) after accounting for net interest charges of £6.2m (2016: £4.1m) and profit on sale of fixed assets of £1.0m (2016: £1.5m). The reduction in surplus compared to the previous year is primarily due to higher depreciation and interest charges reflecting the investment by the organisation in bringing its properties up to WHQS.

During the year, the organisation spent £11.0m (2016: £10.5m) on reactive, cyclical and planned repairs on its housing properties, with £37m (2016: £39m) spent on improving its properties to achieve the Welsh Housing Quality Standard (WHQS). The works were financed through operating surpluses and cash balances supported by net additional loans for the year of £17.3m (2016: additional loans of £33.9m).

Value for money

The drive to pursue and achieve value for money on a daily basis is an integral part in the way we work at NPT Homes. Our value for money principles directly supports our corporate objectives. During the year value for money savings were used to:

- invest in our stock
- invest in our communities
- invest in service improvements
- minimise our borrowing requirements.

STRATEGIC REPORT

The drive to pursue and achieve value for money is embedded across the organisation, a number of interlinked practices support the delivery of value for money:

- effective procurement through appropriate forms of tender competition
- knowing and doing what matters for our customers
- clarity of, and focus on, our purpose
- lean systems thinking
- engaged, empowered staff.

A comparison of our performance using the ten financial value-for-money measures which are being piloted using the Global Accounts for the Welsh social housing sector is set out below:

Indicator	2016/17 Actual	2015/16 Actual	2015/16 Global Accounts LSVT Median	Notes
Operating costs for lettings per Social Housing unit	£2,472	£2,399	£3,607	Increase in line with inflation (CPI) Lower cost than comparator group
Management costs per Social Housing unit	£1,101	£1,095	£1,218	Increase below inflation (CPI) Lower cost than comparator group
Reactive repair costs per Social Housing unit	£896	£855	£1,039	Increase above inflation (CPI) Lower cost than comparator group
Major repairs and component costs per Social Housing unit	£4,072	£4,310	£1,490	Reduction reflects completion of WHQS and good cost control Higher cost than comparator group due to volume of WHQS works
Bad debts per Social Housing unit	£23	£23	£23	Stable and in-line with comparator group despite impact of benefit cuts and changes
Weighted average cost of capital	8.03%	7.94%	5.98%	Broadly stable Higher cost than comparator group reflects fixed interest rate swaps taken out at Transfer
Free cash flow (before draw down or repayment of loans)	(£23.1m)	(£18.2m)	(£1.7m)	Negative cash flow reflects investment to achieve WHQS compliance
Gross Arrears/Social Housing turnover	4.25%	4.95%	4.44%	Credit control processes improved year-on-year Broadly in line with comparator group
Total rent per Social Housing unit	£4,226	£4,066	£4,427	Increased in line with Welsh Government rent policy Lower social rents than comparator group
Rental void loss per Social Housing unit	£167	£159	£92	Higher void loss year-on-year and compared to comparator group reflects on-going refurbishment programme and asset management strategy to address hard-to-let properties transferred from NPTCBC

STRATEGIC REPORT

Key Achievements in 2016/17

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

We successfully achieved the Welsh Housing Quality Standard (WHQS) on 31st March 2017 with high tenant satisfaction results. Amongst other home improvements, this included the installation of over 7,500 kitchens, almost 7,000 bathrooms, 2,300 window replacements and more than 5,500 new heating systems.

3. Strategic and Key Performance Indicators

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

As well as measuring performance against strategic objectives, NPT Homes' Board and SMT receive regular operational and strategic information through the year on various aspects of its performance. A suite of strategic and key performance indicators (SPIs and KPIs) has been developed and aligned performance indicators to our Corporate Plan for 2014-17.

The key outcomes from our SPIs in 2016/17 were as follows:

(i) Regulatory Judgement

Each year Welsh Government, through its Housing Regulation Team, carries out an assessment on how we are performing and whether we are meeting the required standards. Our regulatory judgement rating for 2017 was 'Standard'. This is the top rating and provides assurance to our tenants, leaseholders and other stakeholders that we are achieving the highest level of compliance in all areas of governance, services and financial viability.

The full report can be viewed on our website: [npthomes.co.uk/about us/corporate information/ regulation](http://npthomes.co.uk/about-us/corporate-information/regulation).

(ii) Compliance with CHC Code of Governance

A review was undertaken in November 2016 as part of our cycle of self-evaluation, which confirmed that we remain compliant.

(ii) Community Reinvestment

Using the Welsh Government's Value Wales Toolkit we have been able to demonstrate that for every £1 spent on our major works programme a further £1.99 is reinvested in our local community out of a maximum achievable £2.

STRATEGIC REPORT

(iii) Change in property held for letting

Type of Home	Number at 31 st March 2017	Number at 31 st March 2016
Bungalow	371	371
Flat/Maisonette	2,541	2,530
House	5,708	5,770
Haven Housing Homes	456	473
Grand total	9,076	9,144

Total property numbers decreased over the year, primarily due to Right-to-Buy sales, disposal of surplus properties and planned demolition to support our regeneration programme, but our buy-back programme has increased the number of flats/maisonettes we hold for letting.

(iv) High-performing workforce

Using our Making a Difference Dialogue goal-setting and performance management system, 80% of our staff were assessed as high-performing.

(v) Staff engagement

We used the Gallup Q12 staff engagement survey tool to assess the level of engagement of our staff and to help us to identify what we need to do to get the best out of our employees in the future. The results indicated that our employees are more engaged than staff in 60% of comparable organisations.

The organisation uses a 'balanced scorecard' of key performance indicators (KPIs) covering 4 areas:

- finance
- customer
- internal process
- innovation, learning and growth.

STRATEGIC REPORT

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

1 - Finance

KPI	Definition	2016/17	2015/16	Comments
Current Tenant Arrears	Percentage of rent owed by current tenants (net of Housing Benefit due)	1.7%	1.8%	Improved
Former Tenant Arrears	Percentage of rent owed by former tenants (relating to the last 12 months)	0.6%	0.5%	Small increase is due to some additional re-chargeable works
Void Loss	Percentage of rent lost on our empty properties	3.9%	3.9%	Stable

2 - Customer

KPI	Definition	2016/17	2015/16	Comments
Void to Ready	Average time it takes to make our empty homes available to let	119	106	The increase is due to ongoing refurbishment at our Haven Housing sheltered schemes
Void to Repaired	Average time it takes us to repair our empty homes ready for a new tenant	52	52	Stable
Gas Safe Tenancies	The percentage of our tenants' homes that are gas safe	100.0%	99.9%	Every home certified gas safe as at 31 st March 2017

3 – Internal Process

KPI	Definition	2016/17	2015/16	Comments
Reasonable Repair Time	The percentage of our tenants who felt the repair was completed within a reasonable timescale	93.9%	91.2%	Improved
Repair Right First Time	The percentage of our tenants who felt the repair was completed right first time	93.1%	91.8%	Improved

STRATEGIC REPORT

4 – Innovation Learning and Growth

KPI	Definition	2016/17	2015/16	Comments
RIDDOR	How many injuries, diseases or dangerous occurrences we had to report to the Health & Safety Executive (HSE)	6	7	Improved
Average Sick Days	How many days on average per month are our staff on sick leave	0.4	0.4	Stable
Staff Turnover	What percentage of our staff stayed with us throughout the year	84.4%	86.8%	Turnover is higher due to the number of fixed term contracts coming to an end, in line with the completion of WHQS.
Tenancies ended within 6 months	How many tenants leave our properties within the first six months	29	41	Improved

4. Our work in the community

Community Challenge 2016/17

Our Community Challenge began as a direct result of the community benefit requirements that have been included in all procurement contracts drawn up by NPT Homes. During 2016/2017 we successfully undertook 8 community challenge projects, which saw contractors donate a day of labour to work with local groups and volunteers from NPT Homes in order to undertake a community project. Examples include:

- Blaenbaglan Primary School – Warmplan worked with NPT Homes’ volunteers to remove old planters and waste and create a soft outdoor learning and play space in the nursery area of the school.
- Ystalyfera Community Hall – SERS and Egnida combined to replace an old kitchen in the hall to open up the centre to further community use. NPT Homes’ volunteers also undertook some painting, decorating and minor DIY work.



STRATEGIC REPORT

Further details can be found on our website: npthomes.co.uk/our_services/community_regeneration/community_challenge.

5. Equality and Diversity

NPT Homes has continued to embed equality and diversity throughout the organisation through its Equality and Diversity Champion Group. The Group's aims are to progress commitments in our equality & diversity policy. During 2016 the group was split into three sub groups, with the main aims to progress:

- the use of equality impact assessments and how the assessments help NPT Homes evidence it has considered the impact on protected characteristic groups
- methods to engage with staff on equality and diversity. This includes promoting national campaigns to raise awareness and looking for trends in the data we collect across the organisation, to identify and act on any issues as they emerge
- the collection and quality of our customer equality and diversity data across the organisation, exploring how to use the data to best inform service provision.

9. GOVERNANCE

Board Structure and Membership

The Board is constituted of 12 full members who are drawn equally from the following groups:

Tenant Members Elected by the tenants of the organisation

Councillors Who are nominated by NPTCBC

Independents Who are recruited through an open selection process

On 31st March 2017 the Board had 11 full members, with one tenant member position vacant, and two co-optee members who were both independents. Co-optees may also be appointed to serve on the Board but they have no voting rights. Changes in the composition of the Board during the year and up to the date of this report are set out on page 2.

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

STRATEGIC REPORT

Board Responsibilities and Operation

The Board members have a legal obligation to comply with the Rules of the organisation and must promote the success of the organisation. The Board is ultimately responsible for setting the future direction and strategy for the organisation, for determining policies, managing risk and monitoring performance but must ensure that there is active community involvement in these activities. The Board is accountable to the general members when carrying out these responsibilities. Day-to-day management is delegated to the chief executive and other senior executives who meet regularly and attend Board meetings.

Board Committees

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

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

Approved by the Board on 22nd June 2017 and signed on its behalf by:


 Board Chair

BOARD REPORT

LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

The organisation's principal activities are to provide affordable homes and assist in community development primarily within the County Borough of Neath Port Talbot.

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

GOING CONCERN

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

POST BALANCE SHEET EVENTS

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

BOARD AND SENIOR EXECUTIVES

The Board members (as detailed on page 2) have held office during the whole of the year and to the date of this report unless otherwise stated.

The senior executives (as detailed on page 2) are appointed by the Board and have held office during the whole of the year and to the date of this report.

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

REMUNERATION OF BOARD AND SENIOR EXECUTIVES

Board

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

Senior Executives

- Policy

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

BOARD REPORT

- **Service contracts**

Three of the four senior executives are appointed under employment contracts with a three month period of notice. Steve Tucker, Interim Director of Assets, provides his services under a fixed-term contractor arrangement.

- **Pensions**

The three senior executives appointed under employment contracts are members of the Local Government Pension Scheme which is a defined benefit pension scheme. These senior executives participate in the scheme on the same terms as all other eligible staff.

- **Terms and Conditions**

Senior executives are not entitled to any special benefits over and above those available to other eligible staff.

EMPLOYEES

The Board recognises that the success of the organisation, and its ability to meet its objectives in an efficient and effective manner, depends on the commitment, quality and engagement of its employees.

The organisation has maintained investment in staff through training and other self-development opportunities. Additionally the organisation continues to maintain and develop its best practice for promoting health and wellbeing for all employees and revalidated its Welsh Government Gold Standard corporate health award during the year.

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

The organisation is further committed to equal opportunities for all its employees and supports the employment of disabled people.

WELSH LANGUAGE SCHEME

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

MODERN SLAVERY ACT 2015

New legislation was introduced in 2015 which now requires us to produce an annual slavery and human trafficking statement.

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

BOARD REPORT

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board acknowledges its responsibility for the management of the organisation's assets to ensure its long-term financial viability and the delivery of its business strategy for the benefit of its tenants. The management of risk is acknowledged to be a top priority of the Board with detailed monitoring performed by the Audit and Risk committee. For further information on the organisation's risk strategy, see page 8 of the Strategic Report.

INTERNAL CONTROL

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

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

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

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

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

- Policies and procedures are in place that are well regulated and reviewed
- Monthly management reports are tailored to each strategic level that report revenue and costs; these are designed to identify any exceptions or lack of control
- IT systems have been implemented to create a more efficient and effective operating environment that comes with a greater degree of transparency and control
- Experienced and suitably qualified staff are employed, and performance monitored through regular one-to-one meetings and annual appraisals; each staff members' goals, objectives and deliverables are aligned to that of the organisation
- All items of capital expenditure and/or major commitment are subject to formal authorisation procedures requiring executive approval prior to seeking Board approval.

The Audit and Risk Committee has reviewed the effectiveness of the system of internal control in the organisation for the year ended 31st March 2017. No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties which require

disclosure in the financial statements or in the Auditor's Report on the financial statements and the Board is not aware of any such weaknesses from 1st April 2017 to date.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

STATEMENT OF BOARD'S RESPONSIBILITIES

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

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

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

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the organisation's transactions and disclose with reasonable accuracy at any time the financial position of the organisation and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, Schedule 1 to the Housing Act 1996, (as modified by the Housing (Wales) Measure 2011), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. It is also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 25th July 2017.

Approved by the Board on 22nd June 2017 and signed on its behalf by:


Jonathan P. Davis
Board Chair

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of NPT Homes Limited for the year ended 31st March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of the Board and auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 21, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the organisation's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the organisation's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the organisation and its members as a body for our audit work, for this report, or for the opinions we have formed.

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the organisation's affairs as at 31st March 2017 and of the organisation's surplus for the year then ended;

INDEPENDENT AUDITOR'S REPORT

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

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

In our opinion, with respect to the Board's statement on internal control:

- the Board has provided the disclosures required by the Welsh Government circular RSL 02/10 'Internal controls and reporting'; and
- the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion;

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

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date:

5 July 2017

STATEMENT OF COMPREHENSIVE INCOME
At 31st March 2017

	Note	2017 £'000	2016 £'000
Turnover	3	45,570	44,567
Operating expenditure	3	(30,431)	(28,607)
Operating surplus	3	15,139	15,960
Surplus on disposal of fixed assets	4	1,043	1,493
Interest receivable	5	90	78
Interest and financing costs	6	(6,192)	(4,083)
Local Government Pension Scheme (LGPS) net financing loss	30	(510)	(490)
Surplus before taxation		9,570	12,958
Taxation	10	-	-
Surplus for the year		9,570	12,958
Actuarial (loss)/gain in respect of pension scheme	30	(5,640)	2,050
Total comprehensive income for the year		3,930	15,008

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

STATEMENT OF FINANCIAL POSITION
At 31st March 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Housing properties	11	150,090	119,127
Other fixed assets	12	4,607	4,922
Intangible assets	13	213	207
		154,910	124,256
Current assets			
Stocks	14	63	67
Debtors	15	212,717	247,467
Cash and cash equivalents		22,462	27,542
		235,242	275,076
Creditors: amounts falling due within one year	16	(29,138)	(50,850)
Net current assets		206,104	224,226
Total assets less current liabilities		361,014	348,482
Creditors: amounts falling due after more than one year	17	(277,734)	(276,132)
		83,280	72,350
Pensions liability	30	(22,460)	(15,460)
Net assets		60,820	56,890
Capital and reserves			
Non-equity share capital	20	-	-
Revenue reserve		60,820	56,890
Total capital and reserves		60,820	56,890

The financial statements on pages 25 to 56 were approved by the Board of Management on 22nd June 2017.

Signed on behalf of the Board:


Jonathan P. Jones
 Board Chair


H. Lloyd
 Board Member


J. E. Andrews
 Secretary

STATEMENT OF CHANGES IN RESERVES
At 31st March 2017

	2017	2016
	£'000	£'000
At beginning of year	56,890	41,882
Surplus for the year	9,570	12,958
Actuarial (loss)/gain	(5,640)	2,050
At end of year	60,820	56,890

STATEMENT OF CASH FLOWS
At 31st March 2017

	Note	2017		2016	
		£'000	£'000	£'000	£'000
Net cash generated from operating activities	25		21,942		21,190
Cash flow from investing activities					
Purchase of tangible fixed assets		(39,724)		(36,825)	
Net proceeds from disposal of tangible fixed assets		1,226		1,672	
Grants received		215		57	
Interest received		90		78	
			(38,193)		(35,018)
Cash flow from financing activities					
Interest paid		(6,079)		(3,785)	
New loans		22,500		33,900	
Repayment of borrowing		(5,250)		-	
			11,171		30,115
Net change in cash and cash equivalents			(5,080)		16,287
Cash and cash equivalents at beginning of the year			27,542		11,255
Cash and cash equivalents at the end of the year			22,462		27,542

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of accounting

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

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

Turnover

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

Social Housing Grant and other Government grants

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

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

Recycling of grants

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

NOTES TO THE FINANCIAL STATEMENTS

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

Capital Expenditure

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

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

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

Intangible Assets

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

Computer software	2-5 years
-------------------	-----------

Fixed Assets

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

Housing Properties

Housing Properties are those available for rent.

Housing properties principally comprise:

1. The properties transferred from Neath Port Talbot County Borough Council (NPTCBC) on 4th March 2011 which were initially recorded at nil cost and subsequently include the value of the works required to bring them up to Welsh Housing Quality Standard.
2. Purchased properties cost is the cost of acquiring the property plus associated fees and works required to bring them into use.

NOTES TO THE FINANCIAL STATEMENTS

3. New development is where new homes are commissioned and built. These properties are held at cost. The development cost of properties includes the following:

- cost of land and buildings
- professional fees
- management costs directly related to the development scheme
- interest incurred during the development period is capitalised and added to the cost of completed housing properties based on the organisation's net investment and its average borrowing costs during the year
- provision for the cost of work completed but not paid for at the year end.

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

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

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

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

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

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

Depreciation

Freehold Land

Freehold land is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

Housing Properties and office premises

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

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

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

Other Fixed Assets

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

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

Impairment

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

Investments

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

NOTES TO THE FINANCIAL STATEMENTS

Financial instruments

Financial assets carried at amortised cost

Financial assets comprise rent and service charge arrears, other debtors, prepayments and cash and cash equivalents. Where the effect of discounting is material, financial assets are measured at amortised cost using the effective interest method.

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

Financial liabilities carried at amortised cost

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

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

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

Stocks

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

Bad and Doubtful Debts

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

Operating Leases

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

Interest and Financing Costs

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

NOTES TO THE FINANCIAL STATEMENTS

Pension Costs

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

The organisation offers a defined contribution scheme with Legal & General which came into effect in April 2016, this scheme is open to all employees.

Taxation

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

Value Added Tax (VAT)

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

2. SIGNIFICANT MANAGEMENT JUDGEMENTS AND KEY SOURCES OF ESTIMATION

UNCERTAINTY

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

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

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT MANAGEMENT JUDGEMENTS

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

Impairment of social housing properties

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

ESTIMATION UNCERTAINTY

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

Bad and Doubtful Debts

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

Economic Life of Assets

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

Defined Benefit Pension Scheme

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

NOTES TO THE FINANCIAL STATEMENTS

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS	2017 £'000	2016 £'000
Income		
Rents receivable	36,460	35,897
Service charges receivable	1,858	1,254
	38,318	37,151
Welsh Government Dowry	6,200	6,200
Supporting People grants	353	353
Amortisation of Social Housing & other Government grants	185	178
Other income from social housing lettings	514	685
Turnover from social housing lettings	45,570	44,567
Expenditure		
Management costs	10,088	10,222
Service costs (1)	2,154	2,136
Maintenance costs	10,992	10,515
Losses from bad debts	213	211
Depreciation and amortisation	6,984	5,523
Operating costs on social housing lettings	30,431	28,607
Operating surplus on social housing lettings	15,139	15,960
Rent loss due to voids (memorandum note)	(1,513)	(1,456)

Note (1) Service costs for 2016 have been adjusted to more fairly reflect the services and works which relate to service charge income.

NOTES TO THE FINANCIAL STATEMENTS

4. SURPLUS ON DISPOSAL OF FIXED ASSETS	2017	2016
	£'000	£'000
Disposal proceeds	1,625	1,689
Disposal costs	(220)	(196)
Demolition costs	(362)	-
Surplus on disposal	1,043	1,493

5. INTEREST RECEIVABLE	2017	2016
	£'000	£'000
Bank and short term deposit interest receivable	90	78

6. INTEREST AND FINANCING COSTS	2017	2016
	£'000	£'000
Bank interest payable and similar charges	5,451	2,911
Non-utilisation fees	647	933
Amortisation of deferred financing costs	94	239
	6,192	4,083

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

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

NOTES TO THE FINANCIAL STATEMENTS

7. OPERATING SURPLUS	2017	2016
	£'000	£'000
Operating surplus for the year is stated after charging:		
Depreciation and amortisation of fixed assets	6,984	5,523
Amortisation of deferred Government grants	(185)	(178)
Operating leases		
- Property	147	95
- Vehicles	392	345
- Other	223	182
Auditor's remuneration (inclusive of VAT)		
- Statutory audit fees	24	23
- Other professional fees	2	2

NOTES TO THE FINANCIAL STATEMENTS

8. EMPLOYEE NUMBERS AND COSTS

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

	2017 Number	2016 Number
Central support	76	79
Operational delivery		
Housing	113	115
Assets	299	296
	412	411
Total	488	490

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

The aggregate employment costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	12,617	12,622
Social security costs	1,153	879
Other pension costs - employer's contributions payable (Legal & General defined contribution scheme)	15	-
Other pension costs - employer's contributions payable (LGPS defined benefit scheme)	1,830	1,860
Other pension costs - difference between current and past service cost and contributions payable (LGPS defined benefit scheme)	850	1,110
Total	16,465	16,471

NOTES TO THE FINANCIAL STATEMENTS

9. BOARD MEMBERS' AND DIRECTORS' REMUNERATION

	2017 £'000	2016 £'000
Directors		
Salaries and fees	411	402
Pension contributions	50	50
	461	452

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

Board members

No remuneration was paid to Board members during the year (2015: £nil). The total of expenses paid to the Board was £1,018 (2016: £570)

Remuneration of the highest paid director, excluding pension

	2017 £'000	2016 £'000
Salary	124	122

The highest paid director (Chief Executive) is an ordinary member of the LGPS pension scheme and no enhanced or special terms apply. NPT Homes' contribution in respect of the Chief Executive's pension fund amounted to £20,027 (2016: £19,828)

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

	2017 Number	2016 Number
£90,000 - £99,999	-	1
£100,000 - £109,999	3	2
£140,000 - £149,999	1	1

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

NOTES TO THE FINANCIAL STATEMENTS

11. FIXED ASSETS - HOUSING PROPERTIES

	Freehold Land £'000	Freehold Housing Properties held for letting £'000	Freehold Housing Properties under construction £'000	Total £'000
Cost				
At beginning of year	175	131,141	-	131,316
Additions during the year:				
Completed properties acquired	56	506	-	562
Components capitalised	-	36,873	-	36,873
Works to existing properties	-	54	29	83
Disposals during the year	-	(203)	-	(203)
At 31 st March 2017	231	168,371	29	168,631
Depreciation				
At beginning of year	-	(12,189)	-	(12,189)
Charged during the year	-	(6,372)	-	(6,372)
Eliminated on disposals	-	20	-	20
At 31 st March 2017	-	(18,541)	-	(18,541)
Net book value				
At 31st March 2017	231	149,830	29	150,090
At 31 st March 2016	175	118,952	-	119,127

	Cost £'000	Dep'n £'000	2017 £'000	2016 £'000
Housing properties held for letting comprise:				
Freehold land	231	-	231	175
Freehold property capitalised repairs, replacements and improvements	162,322	(18,076)	144,246	113,782
Freehold property constructed	3,743	(348)	3,395	3,461
Freehold property under construction	29	-	29	-
Freehold property acquired	2,306	(117)	2,189	1,709
	168,631	(18,541)	150,090	119,127

NOTES TO THE FINANCIAL STATEMENTS

Houses and bedspaces in management at the end of the year	2017 Number	2016 Number
Housing accommodation		
General needs	8,620	8,671
Sheltered accommodation (Haven Housing)	456	473
	9,076	9,144
Leasehold management services	553	585
	9,629	9,729

12. OTHER FIXED ASSETS

	Office premises £'000	Motor vehicles £'000	Office furniture and equipment £'000	IT £'000	Total £'000
Cost					
At beginning of year	4,849	364	138	1,747	7,098
Additions during the year	4	-	86	74	164
Disposals during the year	-	(57)	-	-	(57)
At 31 st March 2017	4,853	307	224	1,821	7,205
Accumulated Depreciation					
At beginning of year	(411)	(363)	(68)	(1,334)	(2,176)
Charged during the year	(108)	(1)	(29)	(341)	(479)
Eliminated on disposals	-	57	-	-	57
At 31 st March 2017	(519)	(307)	(97)	(1,675)	(2,598)
Net book value					
At 31 st March 2017	4,334	-	127	146	4,607
At 31 st March 2016	4,438	1	70	413	4,922

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE FIXED ASSETS

	Computer software £'000
Cost	
At beginning of year	712
Additions during the year	139
At 31 st March 2017	851
Amortisation	
At beginning of year	(505)
Charged during the year	(133)
At 31 st March 2017	(638)
Net book value	
At 31st March 2017	213
At 31 st March 2016	207

14. STOCKS

	2017 £'000	2016 £'000
Stock of materials	63	67

NOTES TO THE FINANCIAL STATEMENTS

15. DEBTORS	2017	2016
	£'000	£'000
Amounts due within one year		
Arrears of rent and service charges	1,722	1,687
Less: provision for bad and doubtful debts	(472)	(381)
	1,250	1,306
VAT Shelter agreement (note 29)	22,311	36,296
Other debtors and prepayments	2,224	2,055
Less: provision for bad and doubtful debts	(239)	(360)
	25,546	39,297
Amounts due after more than one year		
VAT Shelter agreement (note 29)	186,861	207,831
Other debtors and prepayments	310	339
	187,171	208,170
	212,717	247,467

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£'000	£'000
Housing loans (note 19)	-	5,248
Trade creditors	6,069	8,569
Taxation and social security	291	260
Rent and service charges received in advance	227	237
Deferred Income: Social Housing and other Government Grants	185	185
VAT Shelter agreement (note 29)	22,311	36,296
Other creditors	55	55
	29,138	50,850

NOTES TO THE FINANCIAL STATEMENTS

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

	2017 £'000	2016 £'000
Housing loans (note 19)	85,719	63,177
Deferred Income: Social Housing and other Government grants	5,154	5,124
VAT Shelter agreement (note 29)	186,861	207,831
	277,734	276,132

18. DEFERRED INCOME - GOVERNMENT GRANTS

	Freehold Housing Properties held for letting £'000	Freehold Housing Properties under construction £'000	Total £'000
Grants			
At beginning of year	5,804	-	5,804
Additions during the year	-	215	215
At end of year	5,804	215	6,019
Amortisation of Grants			
At beginning of year	(495)	-	(495)
Charge for the year	(185)	-	(185)
At end of year	(680)	-	(680)
Net book value			
At 31st March 2017	5,124	215	5,339
At 31 st March 2016	5,309	-	5,309
Amounts falling due:			
Due within one year	185	-	185
Due after one year	4,939	215	5,154

NOTES TO THE FINANCIAL STATEMENTS

19. DEBT ANALYSIS

	2017 £'000	2016 £'000
Bank loans		
On demand or within one year	-	5,250
Less: transaction costs on issue	-	(2)
	-	5,248
Between two and five years	6,525	6,525
After five years	80,400	57,900
Less: transaction costs on issue	(1,206)	(1,248)
	85,719	63,177
	85,719	68,425

A loan facility of £130m is in place with The Royal Bank of Scotland, Santander and Nationwide to enable NPT Homes to undertake a major improvement programme to the housing stock. The total facility is split between £21m revolving and £109m term loan, both expiring 31st March 2041.

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

TERM LOAN:

Facility	Loan	Balance	Fixed Rate	Margin	Total	Maturity
A - Term Loan	2	£6.53m	4.36%	2.50%	6.86%	21/09/2018
A - Term Loan	3	£12.00m	4.97%	2.50%	7.47%	21/09/2034
A - Term Loan	4	£17.55m	5.02%	2.50%	7.52%	21/03/2035
A - Term Loan	5	£20.25m	5.04%	2.50%	7.54%	21/03/2036
A - Term Loan	6	£30.60m	5.18%	2.50%	7.68%	21/03/2034
A - Term Loan	Total	£86.93m				

The term loans are at fixed interest rates plus a margin of 2.5% from 1st April 2016.

At 31st March 2017 the organisation had unutilised facilities of £42.8m (2016: £65.32m).

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

NOTES TO THE FINANCIAL STATEMENTS

20. NON-EQUITY SHARE CAPITAL	2017	2016
	£	£
Shares held by members - £1 each fully paid and issued:		
At beginning of the year	302	292
Issued during the year	36	41
Cancelled during the year	(18)	(31)
At end of the year	320	302

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

Category	Members	Voting Shares	Weighting
Tenant	272	272	34%
Leaseholder	15	15	5%
Independent	4	4	27%
Council	1	1	34%
Associate	28	0	0%

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

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

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS		2017	2016
	Note	£'000	£'000
Financial assets			
Measured at undiscounted amount receivable			
Rent arrears and other debtors	15	212,717	247,467
Financial liabilities			
Measured at amortised cost			
Loans payable	19	85,719	68,425
Measured at undiscounted amount payable			
Trade and other creditors	16,17	221,153	258,557
		306,872	326,982

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

		2017	2016
		£'000	£'000
Interest income and expense			
Total interest payable and similar charges for financial liabilities at amortised cost	6	(6,192)	(4,083)

22. RELATED PARTY TRANSACTIONS

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

During the year the organisation provided rented accommodation to 4 (2016: 4) Board members. The total rent payable was £13,669 (2016: £10,829). At the year end £250 (2016: £253) was owed to the organisation, of which £80 (2016: £172) was overdue. All of the overdue amounts had been cleared by 3rd April 2017. In addition rented accommodation was provided to 6 (2016: 9) close relatives of Board members.

NPTCBC is a party to the Transfer Agreement that established the organisation and holds the right to nominate 4 (2016: 4) members to the Board and one member vote at the AGM.

During the year the organisation made payments of £0.4m (2016: £0.6m) to NPTCBC relating to a satellite office's rent, rates and service level agreements. As at the year end, the organisation owed NPTCBC a total of £44,951 (2016: £22,722) and was owed a total of £15,474 (2016: £34,982) by NPTCBC.

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

NOTES TO THE FINANCIAL STATEMENTS

23. OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases as follows:	2017		2016	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Lease payments due:				
within 1 year	75	481	61	436
between two and five years	160	500	158	518
in over 5 years	271	-	273	-
	506	981	492	954

24. CAPITAL COMMITMENTS

	2017 £'000	2016 £'000
Expenditure contracted but not provided for	738	2,694
Expenditure authorised by the Board but not contracted	33,749	40,423
	34,487	43,117

Capital commitments are those which are due within a year, of which £33m (2016: £39m) relate to major repairs and will be funded by cash generated from operations and our existing loan facilities as detailed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

25. NET CASH GENERATED FROM OPERATING ACTIVITIES

	2017 £'000	2016 £'000
Surplus for the year	9,570	12,958
Adjustments for non-operating activities		
Surplus on disposal of fixed assets	(1,043)	(1,493)
Interest receivable	(90)	(78)
Interest payable	6,192	4,083
Local Government Pension Scheme (LGPS) net financing loss	510	490
Adjustments for non-cash items		
Amortisation of intangible assets	133	138
Depreciation of tangible fixed assets	6,851	5,385
Amortisation of deferred grant income	(185)	(178)
Pension costs less contributions payable	850	1,110
Decrease in debtors	34,699	31,640
Decrease in creditors	(35,549)	(32,876)
Decrease in stocks	4	11
Net cash generated from operating activities	21,942	21,190

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

	2017 £'000	2016 £'000
(Decrease)/Increase in cash	(5,080)	16,287
Increase in loans	(17,250)	(33,900)
Increase in net debt	(22,330)	(17,613)
Net debt at start of year	(42,133)	(24,520)
Net debt at end of year	(64,463)	(42,133)

NOTES TO THE FINANCIAL STATEMENTS

27. ANALYSIS OF NET DEBT

	Cash at bank & in hand	Loans due in less than one year	Loans due in more than one year	Changes in net debt
	£'000	£'000	£'000	£'000
At beginning of year	27,542	(5,250)	(64,425)	(42,133)
Net cash flows	(5,080)	5,250	(22,500)	(22,330)
At 31st March 2017	22,462	-	(86,925)	(64,463)

28. FREE CASH FLOW

	2017 £'000	2016 £'000
Net cash generated from operating activities	21,942	21,190
Interest paid	(6,079)	(3,785)
Interest received	90	78
Taxation paid	-	-
Adjustments for reinvestment in existing properties		
Component replacements	(38,776)	(35,533)
Purchase of other replacement fixed assets	(303)	(120)
Component replacement grant received	-	-
Free cash consumed before loan repayments	(23,126)	(18,170)
Loans repaid (excluding revolving credit and overdrafts)	(5,250)	-
Free cash consumed after loan repayments	(28,376)	(18,170)

NOTES TO THE FINANCIAL STATEMENTS

29. VAT SHELTER / DEVELOPMENT AGREEMENT

Upon the transfer of the housing stock, NPTCBC contracted NPT Homes to carry out an agreed schedule of refurbishment works to the properties (the Development Agreement). The work was costed at £346.3 million of which £137.2 million (2016: £102.2m) has been completed.

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

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

30. PENSION

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

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. Employer and employee contributions in the period totalled £2.5m (2016: £2.6m). The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

In accordance with the requirements of FRS 102, the Fund has been valued by a qualified independent actuary, Aon Hewitt Limited in order to ascertain the value of the Fund as at the year end.

The Fund Regulations require that a full actuarial valuation is carried out every third year, the purpose of this being to establish that the Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial valuation as at 31st March 2016 was prepared by Aon Hewitt Limited.

NOTES TO THE FINANCIAL STATEMENTS

Principal assumptions used within this valuation were:

	2017 % pa	2016 % pa
RPI Inflation	3.1	2.9
CPI Inflation	2.0	1.8
Pension accounts revaluation rate	2.0	1.8
Rate of increase in salaries	3.0	3.3
Rate of increase in pensions	2.0	1.8
Discount rate	2.6	3.5

Mortality assumptions:

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

	2017 Years	2016 Years
Males		
Retiring today	22.9	22.7
Retiring in 20 years	24.5	24.9
Females		
Retiring today	24.4	25.2
Retiring in 20 years	26.2	27.5

The analysis of the Fund assets was as follows:

	31 st March 2017 % pa	31 st March 2016 % pa
Equities	75.8	74.1
Government bonds	11.8	13.0
Other bonds	0.9	0.9
Property	4.7	5.6
Cash/liquidity	3.9	3.0
Other	2.9	3.4
Total	100.0	100.0

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

NOTES TO THE FINANCIAL STATEMENTS

Amounts recognised in the Statement of Comprehensive Income

	2017 £'000	2016 £'000
Current service cost	2,620	2,920
Past service cost	60	-
Interest on pension liabilities	2,090	1,940
Interest income on assets	(1,580)	(1,450)
Pension cost expensed	3,190	3,410
Recognised in other comprehensive income	5,640	(2,050)
Total pension cost recognised in the Statement of Comprehensive Income	8,830	1,360

Amount included in the Statement of Financial Position

	2017 £'000	2016 £'000
Present value of scheme liabilities	(76,540)	(59,980)
Fair value of scheme assets	54,080	44,520
Deficit in the scheme	(22,460)	(15,460)

NOTES TO THE FINANCIAL STATEMENTS

Movements in the present value of defined benefit obligations during the year:	2017	2016
	£'000	£'000
Opening present value of liabilities	59,980	58,660
Current service cost	2,620	2,970
Interest cost	2,090	1,940
Contributions by the participants	720	730
Past service cost	60	-
Actuarial gains/(losses) on liabilities	12,110	(4,050)
Benefits and transfers paid	(1,040)	(270)
Total value of liabilities	76,540	59,980

Movements in the fair value of scheme assets during the year:	2017	2016
	£'000	£'000
Opening fair value of assets	44,520	42,750
Interest income on assets	1,580	1,450
Actuarial gains/(losses) on assets	6,470	(2,000)
Contributions by the employer	1,830	1,860
Contributions by the participants	720	730
Benefits and transfers paid	(1,040)	(270)
Total fair value of plan assets	54,080	44,520

Interest income on assets	1,580	1,450
Actuarial gains/(losses) on assets	6,520	(2,000)
Actual return on assets	8,100	(550)

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis on key assumptions is as follows:

Discount rate assumption

Adjustment to discount rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£m)	74.9	76.5	78.2
% change in present value of total obligation	-2.2%		2.2%
Projected service costs (£m)	3.3	3.4	3.5
Approximate % change in projected service cost	-2.7%		2.8%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£m)	77.2	76.5	75.9
% change in present value of total obligation	0.9%		-0.9%
Projected service costs (£m)	3.4	3.4	3.4
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

Adjustment to pension increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£m)	77.6	76.5	75.5
% change in present value of total obligation	1.3%		-1.3%
Projected service costs (£m)	3.5	3.4	3.3
Approximate % change in projected service cost	2.8%		-2.7%

Past retirement mortality assumption

Adjustment to mortality age rating assumption*	-1 year	Base figure	+ 1 year
Present value of total obligation (£m)	78.9	76.5	74.2
% change in present value of total obligation	3.1%		-3.1%
Projected service costs (£m)	3.5	3.4	3.3
Approximate % change in projected service cost	3.7%		-3.7%

* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them