



Company registration number
05435061

Northwards Housing Limited

Report of the Board and financial statements

For the year ended 31 March 2011

Report of the Board and financial statements

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Corporate Framework

Our Mission

Brought to life by the resounding YES vote of North Manchester's council tenants, we are here to build on their trust by delivering the excellent standard of housing service residents deserve and desire. Our service will be successful, responsive to tenants and driven by our can-do outlook. It has won us the extra funding needed to improve tenants' homes, and the wider environment – up to and beyond the 'Decent Homes' Standard.

We share this commitment to the future of social housing in North Manchester with our residents and the Council, as we work in partnership to make our communities safe and sustainable. We respect each other -- tenants, staff and partners, celebrating the diversity of our communities and workforce. Together we are helping to renew North Manchester.

Our Values

- **Top Class Customer Service** - we will provide an excellent and accessible level of service to all of our customers.
- **Local Services** - we take pride in being based within North Manchester and delivering local services to our customers.
- **Embracing Equality and Diverse Communities** - we will treat everyone fairly and with respect, and we will embrace diverse communities and identities.
- **Tenant Focused** - tenants are at the heart of everything we do. We will involve tenants in our decision making, consult and listen to them to develop and improve services.
- **Committed to our Employees** - we will value and support our employees to attract, develop and retain a highly skilled and motivated staff team.
- **Accountable** - we will be open with and accountable to tenants, employees, the Council and partners in our dealings.

Our Objectives

- **Warm, Safe and Affordable Homes** - to provide warm, safe and affordable homes for all our tenants through advice, support and a multi million pound investment programme that will create jobs for local people.
- **Successful Communities** - to contribute to the regeneration of North Manchester, and work with partners to help develop successful communities.
- **Quality Services** - to work with customers to develop and deliver excellent services that satisfy their needs and aim to meet their aspirations.
- **Value for Money** - to provide sound financial management, and to ensure that we offer excellent Value for Money to our customers.
- **Safer Places to Live** - to work with partners and local communities in helping to reduce crime, fear of crime, and anti-social behaviour.
- **An Attractive Environment** - to help develop a safe, attractive and sustainable environment within North Manchester that contributes to the pride and well-being of local communities.
- **Promote Equality and Diversity** - to understand the needs and aspirations of the diverse communities of North Manchester, and to work with partners to address inequality and to meet the needs of vulnerable people.

Company Information

Board:

Chair Sue Ratchford
Vice Chair Hilary Vaughan

Other Board Members

Martin McKeivitt (resigned 27 January 2011)
Fatima Adamjee (resigned 15 October 2010)
Marjan Bazargan (resigned 15 October 2010)
Michelle Carmichael (resigned 12 April 2011)
Rachel Christie (resigned 7 June 2011)
Mark Hackett (resigned 11 May 2010) – (Reappointed 31 May 2011)
Naeem Ul-Hassan
David Leah
Anna Trotman
Michelle Blakeley
Derek Purnell (appointed 24 November 2010)
Basat Mahmood Sheik (appointed 3 February 2011)
Guy Johnson (appointed 14 October 2010)

Executive Officers:

Chief Executive Robin Lawler BA (Hons) FCIH
Director of Business Services Stephen Brown
Director of Neighbourhood Services Mike Stevens BA (Hons)
Director of Property Services Larry Patrick BA (Hons)

Registered office:

Northwards Housing Limited
6th Floor, Hexagon Tower
Crumpsall Vale
Blackley
Manchester
M9 8ZS

Company registration number

05435061

External auditors:

Grant Thornton UK LLP
Chartered Accountants
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Principal solicitors:

City Solicitors
Manchester City Council
Town Hall
Albert Square
Manchester
M60 2LA

Principal bankers:

Cooperative Bank plc
1 Balloon Street
Manchester
M4 4BE

Report of the Board

The Board presents its report and the audited financial statements of Northwards Housing Limited for the year ended 31 March 2011 which is also made available on the company's website www.northwardshousing.co.uk.

Principal activities

Northwards Housing Limited ("Northwards" or "the company") is a company limited by guarantee without share capital and its sole member, Manchester City Council is considered its ultimate parent undertaking.

The principal activity during the period was the management and maintenance of Manchester City Council's housing stock in North Manchester.

Business review and results for the period

The year ended 31 March 2011 was the sixth period of trading for Northwards, having commenced trading on 12 December 2005. The financial result was an operating surplus of £450,000 before interest and taxation (2010: deficit of £1,315,000). The accumulated deficit within the revenue reserve now stands at £1,803,000 (2010: deficit of £12,900,000). Both these figures reflect the impact of accounting for retirement benefits in accordance with Financial Reporting Standard ("FRS") 17. Excluding the impact of FRS17, the accumulated deficit within the income and expenditure account stands at £529,000 (2010: £1,455,000).

Before accounting for the impact of FRS17, a surplus of £926,000 in 2010-11 (2010: Deficit £1,626,000) would have been reported. The reconciliation between the two figures is set out below reversing the FRS17 adjustments currently shown as a cost within the income and expenditure account.

	2011 £'000	2010 £'000
Surplus / (deficit) for the period including FRS17 cost	253	(1,548)
Past service costs relating to pension costs	-	21
Operating charge under FRS17	1,384	732
Actual pension contributions to Greater Manchester Pension Fund	(994)	(1,031)
Return on Pension assets	(1,608)	(1,026)
Interest on Pension liabilities	1,777	1,226
Loss on curtailments	114	-
	<hr/>	<hr/>
FRS17 adjustments in the period	673	(78)
	<hr/>	<hr/>
Surplus / (deficit) for the period excluding FRS17	926	(1,626)
	<hr/> <hr/>	<hr/> <hr/>

The company's turnover in 2010-11 was £26.0M (2010: £25.2M) comprising mainly the management fee of £21.8M.

The surplus achieved in the year follows an improved year of trading for Northwards Housing. The operating surplus has gone some way to reducing the cumulative deficit position brought forward, and the Board is confident that its medium term projections will allow the company to continue to meet its financial obligations as and when they fall due, and move the company to a position of overall surplus in reserves in the medium term.

Report of the Board *(continued)*

Business review and results for the period

Northwards now manage 12,514 properties. During the year the number of Right-to-Buy sales increased slightly to 26 (2010: 12).

During the year Northwards completed Manchester City Council's Decent Homes programme, with £20.5m spent in the year by Manchester City Council, on improving homes and communities. The total spend to date is £191.5m of the planned £200m.

Further achievements during the year included the following:

- Winner of the Ashden Award in recognition of the work done exceeding the government standards to ensure our homes are energy efficient. 70% of homes have environmental measures, from cavity wall insulation to double-glazed windows and A-rated boilers.
- Completion of the Whitebeck Court Extra Care Scheme ready for occupation.
- Enhancement of service to vulnerable customers provided by the Customer Service Centre.
- Implementation of a new risk management framework.
- Completed a restructure of front line and some support services.
- New Community Safety Team established.

Report of the Board *(continued)*

A summary of outturn performance for 2010-11, including comparisons against targets and Northwards' own performance in 2009-10, is set out in the table below:

Key performance indicators

Indicator	ALMO upper quartile	Northwards Performance 2009-10	Northwards Target 2010-11	Northwards Performance 2010-11
Working days lost due to sickness absence	7.85	11.0	8.25	4.27
Routine repairs completed on time	92.2%	96.8%	92.5%	95.7%
Rent collected (including arrears)	98.0%	94.9%	98.3%	97.0%
Rent collected (excluding arrears)	101.3%	100.2%	100.7%	100.3%
Rent lost through vacant dwellings	0.9%	2.0%	1.1%	1.2%
Average relet times for dwellings let in the year	22.7 days	41 days	24 days	33 days
Energy efficiency of housing stock (SAP rating)	75.23	70.66	68.46	71.4

Report of the Board *(continued)***Principal risks and uncertainties facing the company**

Northwards recognises that managing risk is a critical element in achieving its vision and mission. Over the period the company has adopted a risk strategy which sets out the responsibilities, structures and processes in place to manage risk effectively.

A detailed risk register is maintained and the following risks have been highlighted as containing either high impact or high probability:

Risk	Impact
Budget holders failure to manage budgets	Additional spending pressures across the whole business
Failure to manage and preserve reputation	Negative media coverage and lack of adequate data security are potential key impacts
Health and Safety failing to keep protect business from legal action and keep abreast of legislative changes	Exposure to claims of negligence and out dated practices
Inadequate work force/people management	Loss of key individuals or retention and recruitment of high calibre staff, exposure to legal redress in disciplinary / discrimination cases.
Failure to maintain confidence of customers and partners	Increase in dissatisfaction, complaints and reduced support from partners, could result in uncertainty for the future of the business.
Relationships with the Council failing to deliver on KPIs	Loss of confidence and trust and subsequent support for long term future
Management of External factors: responding to economic, political, legal change, business planning assumptions	Business is out of touch with wider environment and ill equipped to respond to change and meet objectives
Failure to maintain standards of governance, compliance with Companies Act, internal controls or provision of Management Information to the Board.	Loss of trust in leadership, including confidence in assurance systems and ability to run business
Failure to meet regulatory requirements	Damage to reputation and risk to continuation/renewal of management agreement
Failure to maintain and test business continuity plan	Business fails to maintain service level and meet objectives, exposing the business to further risk

Action plans and controls have been established to minimise risk in these areas. Regular reviews and monitoring of primary risks takes place through the Executive Management Team and Audit Sub-Committee.

Report of the Board *(continued)*

Future developments

Planned work over the next twelve months to contribute towards the company's objectives and vision includes the following:

- Negotiating a long-term extension of the Management Agreement with Manchester City Council (MCC) beyond April 2012.
- Working with the Council to implement Self Financing of the Housing Revenue Account, with potentially leading on Asset Management.
- Continuing interim management of MCC's retained stock (3,000 homes) until long term plan realised.
- Delivering Decent Homes Programme in Collyhurst.
- Completion of 32 new build bungalows
- Managing the Common Housing Register and implementing the new Manchester Move Service (CBL) on behalf of all social landlords in the city.
- Convening the North Manchester Housing Partnership, and being a key member of the SRF Delivery Group.
- Developing energy efficiency initiatives and supporting AGMA wide projects.

Board and Executive Officers

The present Board Members and Executive Officers are set out on page 4. All served throughout the period except as detailed on page 4. The Board consists of four Tenant Members elected by tenants or selected by the ALMO Steering Group, four Council Members nominated by Manchester City Council (currently one vacancy) and four Independent Members appointed following interview.

The Executive Officers of Northwards are the Chief Executive and three directors detailed on page 4. The Executive Officers of Northwards have no financial interest in the company.

Northwards have insurance policies that indemnify its Board and Executive Officers against liability when acting for Northwards Housing.

Remuneration

The Board Members of Northwards do not receive a salary, but do receive expenses. The Board take responsibility for the remuneration and appointment of its Executive Officers.

Pensions

None of the Board Members enjoy any pension benefits from Northwards. For staff the company participates in the Greater Manchester Pension Fund and 256 employees are members of the scheme. This is a defined benefit salary scheme managed by Tameside Metropolitan Borough Council. The assets of the scheme are invested and managed independently of the finances of Northwards. Contributions are based on pension costs across the various participating organisations.

Financial Reporting Standard ("FRS") 17 (Retirement Benefits) is reflected in the 2010-11 accounts. The objectives of FRS17 are to ensure that the financial statements reflect a value for the assets and liabilities associated with the company's pension obligations and that operating costs associated with pension provision are recognised in the accounting period in which they have been incurred. Greater Manchester Pension Funds' actuaries have assessed a pension deficit for Northwards of £1.27M (2010: £11.45M) using

Report of the Board *(continued)*

the methodology of FRS17 (as distinct from the methodology used for a funding basis) at 31 March 2011 which has been recognised as a liability in the balance sheet of the company.

Employees

Northwards recognises the significance of its staff in achieving its objectives, which cannot be achieved without their involvement and contribution toward the running of the company. Northwards communicates and consults with its employees through a variety of structures: monthly team briefings, regular cascade briefings, employee e-mails, the internal intranet, staff suggestion scheme and various service specific project groups eg Equality & Diversity, Value for Money, Performance, Regeneration and Asset Management.

Northwards is committed to equality and diversity and supports the employment of a diverse range of people within the company. It ensures its recruitment practices does not discriminate against disabled applicants and supports employees who become disabled whilst in the employment of Northwards. The company has adopted the equality standard for local government and has achieved Level 2 within this standard.

Northwards is committed to equality of opportunity for all its employees. It is the company's policy to give equal consideration to all job applicants and employees, irrespective of gender, race, creed or disability. Applicants for jobs are monitored to ensure that this policy is adhered to.

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. Northwards has prepared detailed health and safety policies and provides staff training on health and safety matters. During the year the Health and Safety group has continued to meet and has been leading on a number of projects to further develop a health and safety culture across the organisation.

In addition the Health and Safety team of qualified professionals helps to lead on, and work with, Managers on delivering a health and safety culture across Northwards.

Governance arrangements

Board

The Board derives its power to manage Northwards from the company's Articles of Association. Article 19 gives the Board the power to manage Northwards. The powers of the Board are exercised on behalf of Manchester City Council as the owner.

The Board meets bi-monthly, usually on the second Tuesday. Additional meetings may be called by notice as required. The Board is responsible for the Northwards' strategy and policy framework. Day-to-day management and implementation of that framework is delegated to the Chief Executive and other Executive Officers who meet bi-weekly and service Board and Sub-Committee meetings.

A series of training events and strategic discussions for the Board also take place through the year, including an Away Day as well as visits and tours. The Board also completed 360° appraisals during the year.

Area Panels

Northwards have three Area Panels, Wilton, Fourways and Riverways covering its area of operation. The Area Panels have a delegated budget for decision making in relation environmental improvements. They also monitor performance standards in their area and make recommendations to the Board. The Area Panels meet monthly.

Report of the Board (*continued*)

Sub-Committees

Northwards have three Sub-Committees, with Board Members and co-optees on each: Operations, Resources and Audit. The Sub-Committees have detailed Terms of Reference and make recommendations for consideration by the Board. The Sub-Committees meet throughout the year, usually monthly, other than the Audit Sub-Committee, which meets quarterly.

- Operations Sub-Committee considers customer and tenant involvement and satisfaction, local services policies and priorities, access to services, complaints and financial inclusion, improvement programme, void property management, responsive and planned repairs, policies and performance, regeneration and energy efficiency.
- Resources Sub-Committee consider all matters relating to finance, corporate administration and employment policies as well as advising on organisational structure and remuneration.
- Audit Sub-Committee oversees and plans the Internal Audit and assurance programmes as well as risks and insurance.

The Board and its Sub-Committees obtain external specialist advice from time to time as necessary. The Board has also co-opted five people to work alongside them at Sub-Committees.

Political and Charitable Contributions

During the period, Northwards made no political donations. Any charitable contributions are made within the company's normal activities.

Internal Controls Assurance

The Board accept their ultimate responsibility for ensuring Northwards has in place controls that are appropriate to the environment in which it operates. These controls are designed to give reasonable assurance with regard to:

- the reliability of financial information used within the company or for publication.
- the maintenance of proper accounting records.
- the safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

Key elements include:

- adoption of appropriate financial regulations setting out formal policies and procedures and delegated authorities.
- appointment of experienced and suitably qualified staff to take delegated responsibility for important business functions. Appropriate development procedures are in place to maintain standards of performance.
- an internal audit service is provided through an external provider. All reports and resulting action plans are presented to the Audit Sub-Committee for scrutiny and monitoring.
- a robust strategic and business planning process setting out income and expenditure forecasts over the medium term, identifying assumptions made and containing sensitivity analyses.

Report of the Board (*continued*)

- budget monitoring procedures are in place that allows the Board and Management to monitor progress against financial targets. Regular management accounts are prepared promptly, providing relevant, reliable and up to date financial information.
- adoption of a risk strategy and register for Northwards. Monitoring reports are made to Audit Sub-Committee on managing primary risks. All reports to the Board and Sub-Committees for decision must identify relevant risks.

The company continues to address its internal control environment to further develop controls where required.

Statement of the responsibilities of the Board of Northwards Housing Limited for the Report of the Board and financial statements

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws. Under company law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the company for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The Board is 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 Act 2006. The Board is 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.

In so far as each Board member is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- each Board member has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Report of the Board *(continued)*

Post balance sheet events

Northwards considers that there have been no events since the financial period-end that have had a significant effect on the financial position of the company.

Going concern

After making enquiries the Board has a reasonable expectation that Northwards has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the Report of the Board and financial statements are signed. For this reason, it has adopted the going concern basis in the financial statements as set out in note 2 to the financial statements.

Annual General Meeting

The Annual General Meeting will be held on 20 October 2011.

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 488 (2) of the Companies Act 2006 unless the company receives notice under Section 488 (1) of the Companies Act 2006.

The Report of the Board was approved 13 October 2011 and signed on its behalf by:



Stephen Brown
Secretary

Report of the Independent Auditor to the Members of Northwards Housing Limited

We have audited the financial statements of Northwards Housing Limited for the year ended 31 March 2011 which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the balance sheet, the cashflow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of the responsibilities of the board set out on pages 11 and 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board for the financial year for which the financial statements are prepared is consistent with 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 Companies Act 2006 requires us to report to you if, in our opinion:

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

Grant Thornton UK LLP

Fiona Baldwin

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP 20 October 2011

Statutory Auditor, Chartered Accountants
Manchester

**Income and expenditure account
for the year ended 31 March 2011**

	Note	2011 £'000	2010 £'000
Turnover	3	26,025	25,153
Operating costs	4	(25,575)	(26,447)
Past service cost relating to pension scheme	8	-	(21)
Operating surplus / (deficit)	5	450	(1,315)
Interest receivable	9	5	2
Other finance charges	8	(169)	(200)
Surplus / (deficit) on ordinary activities before taxation		286	(1,513)
Tax on surplus / (deficit) on ordinary activities	10	(33)	(35)
Surplus / (deficit) for the financial period		253	(1,548)

All of the income and expenditure for the period relates to continuing activities.

The notes on pages 19 to 33 form an integral part of these financial statements.

Historical costs surpluses and deficits were identical to those shown in the income and expenditure account.

**Statement of total recognised surpluses and deficits
for the year ended 31 March 2011**

	Note	2011 £'000	2010 £'000
Surplus / (deficit) for the financial period		253	(1,548)
Actuarial gain / (loss) on pension scheme	8	7,365	(9,903)
Change in assumption regarding future pension increases in line with CPI rather than RPI	8	3,479	-
Total recognised surplus / (deficit) relating to the period		<u>11,097</u>	<u>(11,451)</u>

The past service gain of £3,479,000 has arisen as a result of the government's announcement on 22 June 2010 that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI).

The Board has considered the LGPS scheme rules and associated members' literature and has concluded that this represents a change in actuarial assumption. Therefore, the resulting credit has been recognised in the statement of total recognised surpluses and deficits.

Balance sheet
 at 31 March 2011

	Note	2011 £'000	2010 £'000
Fixed assets	11	608	723
Investments	12	-	-
Current assets			
Debtors	13	2,464	4,519
Cash at bank and in hand	14	1,239	94
		<u>3,703</u>	<u>4,613</u>
Creditors : amounts falling due within one year	15	(4,540)	(6,550)
Provisions	16	(300)	(241)
		<u>(1,137)</u>	<u>(2,178)</u>
Net current liabilities			
		(1,137)	(2,178)
Total assets less current liabilities		(529)	(1,455)
Net pension liability	8	(1,274)	(11,445)
		<u>(1,803)</u>	<u>(12,900)</u>
Capital and reserves			
Member's capital	17	-	-
Revenue reserves	18	(1,803)	(12,900)
		<u>(1,803)</u>	<u>(12,900)</u>
Member's deficit		<u>(1,803)</u>	<u>(12,900)</u>

The financial statements were approved by the Board on 13 October 2011 and were signed on its behalf by:



Sue Ratchford
 Chair of the Board



Hilary Vaughan
 Vice Chair of the Board

Cash flow statement
for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Net cash inflow / (outflow) from operating activities	21	<u>1,241</u>	<u>(2,596)</u>
Returns on investments and servicing of finance			
Interest received		<u>5</u>	<u>2</u>
		<u>5</u>	<u>2</u>
Taxation paid		<u>(35)</u>	<u>(54)</u>
Capital expenditure			
Payment to acquire tangible fixed assets		<u>(66)</u>	<u>(825)</u>
Increase / (decrease) in cash	23	<u><u>1,145</u></u>	<u><u>(3,473)</u></u>

Notes to the financial statements

1 Legal status

Northwards Housing Limited is a private company limited by guarantee with no share capital. Its sole member is Manchester City Council.

2 Accounting policies

Basis of accounting

The financial statements of Northwards have been prepared under the historic cost convention in accordance with applicable UK accounting standards. The Board is satisfied that the current accounting policies are the most appropriate for the company.

Turnover

Turnover consists of the invoiced value (excluding VAT) of goods and services supplied in the period and revenue grants. It principally represents amounts derived from Manchester City Council for the provision of management and associated services. Income is recognised at the point such services are delivered.

Going concern

The company has reported a surplus for the year ended 31 March 2011 of £253,000million. This (together with actuarial movements in the reported pension liability) results in net liabilities of £1.8 million at 31 March 2011 and net current liabilities at 31 March 2011 of £1.1 million. These factors have necessitated that the directors consider the continued applicability of going concern as the basis of preparing these financial statements. This consideration is required as the company operates independently of Manchester City Council (MCC) and (notwithstanding the fact that MCC is the company's sole member) it cannot provide a direct guarantee to underwrite the company's ability to meet all debts as they fall due.

In giving consideration to this matter the directors have considered the following:

- the one year extension to the company's management agreement with MCC (through to 31 March 2013) which was approved by MCC on 12 October 2011.
- trading and cash flow forecasts for the twelve months following approval of the financial statements
- agreed working capital management terms with MCC that include prompt payment of amounts receivable by the company from MCC and deferred payment terms (through to 31 March 2012) of amounts payable by the company to MCC
- the ability of the forecast trading and cash flow forecasts to absorb reasonable fluctuations in performance in the twelve months following approval of the financial statements
- the intrinsic reliance by MCC on the company and practical difficulties that would be encountered by MCC in the event that the company ceases to be a going concern

Also considered in this context is the impact of FRS 17 "Retirement Benefits" which has historically resulted in a significant liability being shown on the balance sheet and an increase in the pension cost included in the income and expenditure account. Such charges or the recognition of a liability at 31 March 2011 will not directly affect the levels of cash contributions payable in the twelve months following the approval of these financial statements, and which are included in the company's business plan (on the basis of actuarial advice) and thus referred to when considering the applicability of the going concern basis.

Based on these reviews, and the five year business plan of the company, which shows the company continuing to generate a surplus in 2011/12 and beyond, the Board Members consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

Notes to the financial statements *(continued)***2 Accounting policies (continued)*****Pensions***

Northwards participates in the Greater Manchester Pension Fund, a defined benefit salary pension scheme managed by Tameside Metropolitan Borough Council. The assets of the scheme are invested and managed independently of the finances of the company. Contributions are based on pension costs across the various participating associations taken as a whole.

Costs include the regular cost of providing benefits, which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered.

FRS17 has been adopted whereby the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

Taxation

HM Revenue and Customs have confirmed that Northwards will be exempt from corporation tax in respect of activities with Manchester City Council. Other activities are subject to corporation tax and a tax charge in connection with third party income is recognised in the financial statements.

Fixed assets

All fixed assets are initially recorded at cost. On incorporation, Northwards did not inherit any fixed assets, and therefore in addition to the company's own fixed assets, Northwards continues to make payment to Manchester City Council to reflect its use of council owned assets.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	5 years	straight line
Computer equipment	-	5 years	straight line

Leases

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Provisions

Northwards makes provision to meet constructive and legal obligations at the period end where such obligations can be reasonably estimated.

Notes to the financial statements *(continued)***3 Turnover, operating costs and operating surplus**

Turnover and operating surplus arise solely from Northwards' housing management and maintenance activities in the United Kingdom.

	2011 £'000	2010 £'000
Management fee	21,784	20,212
Capital programme costs recharged to Manchester City Council	2,235	2,942
Grants received	591	587
Other operating income	1,415	1,412
	<u>26,025</u>	<u>25,153</u>

4 Operating costs

	2011 £'000	2010 £'000
Employee costs	10,793	10,308
Premises costs	745	667
Travel costs	248	270
Supplies and services	2,456	2,321
Repairs and maintenance	8,297	9,412
Charges under Service Level Agreements	3,036	3,469
	<u>25,575</u>	<u>26,447</u>

5 Operating deficit

Operating deficit is stated after charging:

	2011 £'000	2010 £'000
Fees payable to the company's auditor for the audit of the financial statements	17	17
Fees payable to the company's auditor for other services in respect of taxation	1	-
Operating lease rentals		
Buildings	318	317
Office equipment	15	13
Depreciation of owned fixed assets	181	102
	<u> </u>	<u> </u>

Notes to the financial statements *(continued)***6 Employees**

The average monthly number of persons employed during the period, expressed as equivalent full-time employees was:

	2011 Number	2010 Number
Neighbourhood services	152	153
Property services	107	125
Business services	63	60
	<u>322</u>	<u>338</u>

The employee costs for the period to 31 March were:

	2011 £'000	2010 £'000
Wages and salaries	8,654	8,909
Social security costs	647	670
Pension costs	1,492	729
	<u>10,793</u>	<u>10,308</u>

7 Board Members and Executive Officers

None of the Members of the Board received any remuneration from Northwards. The aggregate amount of expenses paid to Board Members during the period amounted to £3,652 (2010: £3,463).

The remuneration paid to the Executive Officers of Northwards was as follows:

	2011 £'000	2010 £'000
Aggregate emoluments payable to Executive Officers	325	307
Payments to the defined benefit pension scheme	45	45
	<u>370</u>	<u>352</u>

The highest amount payable by Northwards was for the services of the Chief Executive, where payments amounted to £101,000 (2010: £101,000).

Notes to the financial statements (continued)**8 Pensions****Greater Manchester Pension Fund**

Northwards participates in the Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council as the Greater Manchester Pension Fund. This is a funded scheme whereby both employers and employees pay contributions to the fund, which is calculated at a level estimated to balance pension liabilities and investment assets.

Triennial actuarial valuations are performed by a qualified actuary, using the "projected unit" method. The most recent formal actuarial valuation was completed as at 31 March 2010, with the next formal valuation due as at 31 March 2013. This valuation, together with the data on employees, pensioners, contributions, and fund returns and early retirements, has been used to estimate the valuation as at 31 March 2011. The scheme assets are stated as at their market value at 31 March 2011.

The employer's contributions to the Greater Manchester Pension Fund by Northwards for the year ended 31 March 2011 were £994,000 (2010: £1,031,000). The employer's contribution rate was 14.0% of pensionable pay in 2010-11 (2010: 14.0%).

Employee benefit obligations

The amounts in respect of the pension fund recognised in the balance sheet are as follows:

	2011 £'000	2010 £'000
Fair value of employer assets	27,852	22,754
Present value of funded liabilities	(28,856)	(34,199)
Net pension liability	<u>(1,274)</u>	<u>(11,445)</u>

The amounts in respect of the pension fund recognised in the income and expenditure account are as follows:

	2011 £'000	2010 £'000
Interest cost	1,777	1,226
Expected return on pension assets	(1,608)	(1,026)
Other finance charges	169	200
Current service cost	1,384	732
Losses on curtailments and settlements	114	-
Total charge recognised in the income and expenditure account	<u>1,667</u>	<u>953</u>
Actual return on plan assets	<u>1,565</u>	<u>5,837</u>

Notes to the financial statements *(continued)***8 Pensions** *(continued)*

The amounts required in the statement of total recognised surpluses and deficits ('STRSD') are as follows:

	2011 £'000	2010 £'000
Change in assumption regarding pension increases revalued in line with CPI rather than RPI	3,479	-
Actuarial gain / (loss) on pension scheme	7,365	(9,903)
Total gain / (loss) recognised in the STRSD	<u>10,844</u>	<u>(9,903)</u>

The past service gain of £3,479,000 has arisen as a result of the government's announcement on 22 June 2010 that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI).

The Board has considered the LGPS scheme rules and associated members' literature and has concluded that this represents a change in actuarial assumption. Therefore, the resulting credit has been recognised in the statement of total recognised surpluses and deficits.

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

	2011 £'000	2010 £'000
Opening defined benefit obligation	34,199	17,283
Current service cost	1,384	732
Interest cost	1,777	1,226
Contributions by members	475	493
Actuarial (gains) / losses	(5,316)	14,709
Past service (gain) / cost	(3,479)	21
Estimated benefits paid	(298)	(265)
Loss on curtailments	114	-
Closing defined benefit obligation	<u>28,856</u>	<u>34,199</u>

Notes to the financial statements *(continued)***8 Pensions** *(continued)*

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

	2011 £'000	2010 £'000
Opening fair value of employer assets	22,754	15,663
Expected return on assets	1,608	1,026
Contributions by members	475	493
Contributions by the employer	994	1,031
Actuarial gains	2,049	4,806
Benefits paid	(298)	(265)
Closing fair value of employer assets	<u>27,582</u>	<u>22,754</u>

Northwards expects to contribute £966,000 to the defined benefit pension scheme in the year ending 31 March 2012.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2011	2010
Equities	66%	67%
Bonds	17%	16%
Property	5%	6%
Cash	12%	11%

The principal actuarial assumptions at 31 March 2011 (expressed as weighted averages) were as follows:

	2011	2010
Discount rate	5.5%	5.5%
Expected return on assets	6.6%	6.9%
Future salary increases	4.3%	5.3%
Future pension increases	2.8%	3.8%
Proportion of employees opting to take a commuted lump sum - Pre April 2008 service	50%	50%
- Post April 2008 service	75%	75%

Notes to the financial statements (continued)**8 Pensions (continued)****Mortality**

Assumptions are based on the Fund's VitaCurves, with improvements in line with the median cohort and 1% per annum underpin from 2010. Based on these assumptions the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.1 years	22.9 years
Future pensioners	22.5 years	25.0 years

Amounts for the current and previous five periods are as follows:

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	27,582	22,754	15,663	17,577	14,784
Present value of defined benefit obligation	(28,856)	(34,199)	(17,283)	(16,900)	(16,020)
Surplus / (deficit)	(1,274)	(11,445)	(1,620)	677	(1,236)
Experience gains / (losses) on assets	2,049	4,806	(4,379)	794	87
Experience gains / (losses) on liabilities	(1,692)	-	-	(3,403)	-

Amount recognised in Statement of Total Recognised Surpluses and Deficits:

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Actuarial gains / (losses) recognised in STRSD	7,365	(9,903)	(2,135)	2,081	1,305
Cumulative actuarial gains / (losses)	(970)	(8,335)	1,568	3,703	1,622

9 Interest receivable

	2011	2010
	£'000	£'000
Bank interest receivable	5	2

Notes to the financial statements *(continued)***10 Taxation**

	2011 £'000	2010 £'000
Current tax on income for the year	33	35
Under provision in previous years	-	-
Tax on surplus on ordinary activities	<u>33</u>	<u>35</u>
Current tax reconciliation	2011 £'000	2010 £'000
Surplus / (deficit) on ordinary activities before taxation	286	(1,513)
Theoretical tax at UK corporation tax rate of 28% (2010: 28%)	80	(424)
Effects of:		
(Surplus) / deficit not in charge to tax	(225)	493
Pension adjustments not in charge to tax	189	(22)
Marginal relief	(11)	(12)
Actual current taxation charge	<u>33</u>	<u>35</u>

11 Fixed assets**Tangible fixed assets**

	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost			
At 1 April 2010	55	770	825
Additions	-	66	66
At 31 March 2010	<u>55</u>	<u>836</u>	<u>891</u>
Depreciation			
At 1 April 2010	7	95	102
Charge for the year	11	170	181
At 31 March 2010	<u>18</u>	<u>265</u>	<u>283</u>
Net book value			
At 31 March 2011	<u>37</u>	<u>571</u>	<u>608</u>
At 31 March 2010	<u>48</u>	<u>675</u>	<u>723</u>

Notes to the financial statements *(continued)***12 Investments**

IMPACT Manchester Limited, a registered company incorporated in England as a company limited by guarantee is a 20% owned associate. The cost of the investment in the associate was £Nil. The company, which is a joint venture with four Registered Social Landlords, was established to facilitate work under Framework Contracts for the physical regeneration and improvement of existing homes and open spaces and the provision of community and employment initiatives. Following the transfer of the Framework Contract to Procure Plus Limited, IMPACT Manchester Limited has not traded in the year ended 31st March 2011. Impact Manchester Limited reported a surplus of £95,000 for the year ended 31 March 2010.

13 Debtors

	2011	2010
Due within one year	£'000	£'000
Amounts receivable from Manchester City Council		
Trade debtors	1,128	1,660
Accrued income	767	2,175
Prepayments	102	44
	<u>1,997</u>	<u>3,879</u>
Amounts receivable from IMPACT Manchester Limited		
Accrued income	-	3
Amounts receivable from other parties		
Trade debtors	337	218
Accrued income	25	231
Prepayments	105	188
	<u>2,464</u>	<u>4,519</u>

14 Cash at bank and in hand

	2011	2010
	£'000	£'000
Cash at bank and in hand	<u>1,239</u>	<u>94</u>

Notes to the financial statements *(continued)***15 Creditors: amounts falling due within one year**

	2011	2010
	£'000	£'000
Amounts due to Manchester City Council		
Trade creditors	2,002	3,034
Accruals and deferred income	682	394
	<u>2,684</u>	<u>3,428</u>
Amounts due to IMPACT Manchester Limited	-	24
Amounts due to other parties		
Trade creditors	660	1,962
Corporation taxation payable	33	35
Other taxation and social security	590	390
Accruals and deferred income	573	711
	<u>4,540</u>	<u>6,550</u>

16 Provisions

	2011	2010
	£'000	£'000
At beginning of the year	241	241
Provision made in the year	430	276
Amounts utilised in the year	(276)	(160)
Amounts reversed in the year	(95)	(116)
	<u>300</u>	<u>241</u>

A provision has been recognised in respect of the company's obligation to meet legal compensation claims over repairs and maintenance work, based on an estimate of the probable amount of the obligation required to settle claims outstanding as at 31 March 2011. The provision is made as there is a constructive obligation placed on the company to settle claims made in respect of property disrepair and certain other liabilities.

Northwards has entered into an insurance arrangement with Zurich to mitigate the risk to the company in respect of accident claims. Under the terms of the agreement, Northwards liability is limited to a maximum of £5,000 per claim, or £100,000 in any one year. Allowance for this is made when determining the level of provision to be made.

17 Member's capital

Northwards Housing Limited is a company limited by guarantee.

The Member of the company undertakes to contribute to the assets of the company in the event of the company being wound up while it is a member, such amount as may be required but not exceeding £1.

Notes to the financial statements *(continued)***18 Revenue reserves**

	Revenue reserves £'000
At beginning of the year	(12,900)
Surplus for the financial year	253
Actuarial gain relating to pension scheme	7,365
Change in assumptions regarding future pension increases in line with CPI rather than RPI	3,479
	<hr/>
At end of the year	<u>(1,803)</u>

At 31 March 2011, the revenue reserve included £1.3M (2010: £11.5m) in respect of the defined benefit pension liability.

19 Related party transactions**Manchester City Council**

Northwards Housing Limited is a company limited by guarantee. The company is controlled by its sole member, Manchester City Council. The accounts of Manchester City Council are publicly available on the Council's web-site www.manchester.gov.uk. The Council has delegated responsibility for the management and maintenance of its housing stock to Northwards. A management agreement with Manchester City Council is in place and which became effective on 12 December 2005. On 12 October 2011, Manchester City Council approved a further one year extension to this agreement through to 31 March 2013. In accordance with the management agreement, a management fee is charged for services provided.

Total income from Manchester City Council was:

	2011 £'000	2010 £'000
Management fee	21,784	20,212
Capital programme costs	2,235	3,645
Grants received	591	556
Other operating income	1,067	677
	<hr/>	<hr/>
	<u>25,677</u>	<u>25,090</u>

As an Arms Length Management Organisation a number of services provided to tenants are purchased by Northwards through Service Level Agreements with Manchester City Council. These retained functions are where it did not make economic sense in establishing the company for part of the services to be separated out and transferred into Northwards.

There are in addition a number of other support services that the company purchases from Manchester City Council under additional Service Level Agreements.

Notes to the financial statements *(continued)***19 Related party transactions** *(continued)*

Charges from Manchester City Council were as follows:

	2011 £'000	2010 £'000
Premises costs	564	480
Supplies and services	258	267
Repairs and maintenance	460	559
Charges under Service Level Agreements	1,882	2,507
Travel Costs	64	61
IT Equipment	-	42
	<u>3,228</u>	<u>3,916</u>

Details of amounts due to and from Manchester City Council are set out in notes 13 and 15.

IMPACT Manchester Limited

Details of amounts due to and from IMPACT Manchester Limited, an associate of Northwards Housing Limited are set out in notes 13 and 15.

During the year ended 31st March 2010 Northwards provided financial administration and governance services to IMPACT Manchester at a charge of £2,500. No similar services were provided in the year to 31 March 2011.

Tenant Board Members

Three Tenant Members of the Board are residents of properties owned by Manchester City Council and managed by Northwards Housing Limited. These residents have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefits as other tenants.

20 Commitments

The payments which the company is committed to make in the next year under operating leases are:

	2011 £'000	2010 £'000
Building leases expiring		
Within one year	120	116
In two to five years	203	201
Office equipment leases expiring		
Within one year	10	-
In two to five years	5	13
	<u>338</u>	<u>330</u>

Notes to the financial statements *(continued)***21 Reconciliation of operating surplus / (deficit) to net cash inflow / (outflow) from operating activities**

	2011 £'000	2010 £'000
Operating surplus / (deficit)	450	(1,315)
Past service costs relating to pension costs	-	21
Pension charge in respect of curtailment	114	-
Pensions operating charge	1,384	732
Pension contributions paid	(994)	(1,031)
Decrease in debtors	2,055	74
Decrease in creditors	(2,008)	(1,179)
Increase in provisions	59	-
Depreciation	181	102
	<u> </u>	<u> </u>
Net cash inflow / (outflow) from operating activities	1,241	(2,596)
	<u> </u>	<u> </u>

22 Analysis of net funds

	As at 1 April 2010 £'000	Cash flow £'000	As at 31 March 2011 £'000
Cash at bank and in hand	94	1,145	1,239
	<u> </u>	<u> </u>	<u> </u>

23 Reconciliation of net cash flow to movement in net funds

	2011 £'000	2010 £'000
Increase / (decrease) in cash in period	1,145	(3,473)
Net funds as at 1 April 2010	94	3,567
	<u> </u>	<u> </u>
Net funds at 31 March 2011	1,239	94
	<u> </u>	<u> </u>

24 Constitution

Northwards Housing Limited is a company limited by guarantee and does not have any share capital. There is only one "member" of the company, who has guaranteed £1. That "member" is Manchester City Council.

The company is a local authority controlled company within the meaning of the Local Government and Housing Act 1989, being a company under the control of Manchester City Council. The Board Members consider that Manchester City Council is the ultimate controlling party.

Notes to the financial statements *(continued)*

25 Contingent Liability

On 30 March 2010, a third party issued a claim of £2.9 million against several parties, including Northwards Housing in respect of faulty boiler and heating installations, claimed to have been carried out over a period where Manchester City Council and the company were responsible for boiler choice, and administering and supervising the contract.

The company has taken advice from its solicitors in relation to the matter, and at the present time management do not feel that there is sufficient certainty in respect of either the probability of the claim being upheld against the company or the magnitude of any such potential settlement by the company, to recognise a provision in respect of this matter.

