

South
Tyneside

South Tyneside Council's
Housing Company

Directors' report and financial statements
Year ended 31 March 2013
Registered Number 05381705

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Foreword by the Chairman

This has been a challenging year for the Company, mainly due to the reduction in funding for the Decent Homes programme and the floods experienced throughout the Borough. It has meant that some Tenants will be disappointed by a delay in their property improvements.

However, my colleagues have responded in a positive manner by looking at every area of the business and have challenged themselves to push for further improvements and changes. I believe this has been achieved and positive results include:

- We achieved number 43 in the Times 100 Not for Profit organisations - the highest achieving ALMO in the listing
- Through prudent management we achieved an operating surplus of £272,000 before pension adjustments
- Our Property Services section achieved a surplus of £851,000 which was returned to the Council for the benefit of tenants and residents
- The Council's Housing Revenue Account continues to remain strong despite the financial impact of the adverse weather conditions experienced
- 2,938 properties were improved under the Decent Homes programme of which over 1,000 non-traditional properties were transformed
- During the year we obtained £902,000 of external funding to supplement the Decent Homes programme

We continue to work closely with our Tenants and Leaseholders benefitting in receiving advice, guidance and opinions as to how we can work differently and improve delivery of our services.

We are working more closely with our colleagues in South Tyneside Council to develop an even closer working relationship especially with Estate and Neighbourhood Services.

We are working very hard to develop new business opportunities to secure the future for our workforce. This includes consideration of a new company to help develop new and improved social housing.

South Tyneside Homes has an important role to play in the wellbeing of our community. Change is essential and like time, you cannot stop or delay it. However, our Board and Executive Management Team, led by Martin Knowles, are committed to work with the Council, Tenants and Leaseholders, Business Partners, Voluntary Sector and other Public Sector Partners to provide value for money and improve the lifestyle of our community.

My thanks to all colleagues for their support and commitment, and for making my role an enjoyable experience.

Cllr Ed Malcolm

Board and Advisors

Tenant Directors:

Jacqueline Hunter	
Joyce Welsh	Resigned 13 11 2012
Susan Hood	Resigned 08 05 2012
Laverne Elrick	
Trevor Foreman	Appointed 13 11 2012
Joyce Smith	Appointed 13 11 2012

Independent Directors:

Ian Robertson (Chair)	Resigned 09 07 2013
Susan O'Donnell	Retired 13 11 2012
Stephen Thompson	Retired 13 11 2012
Stuart Flint	
Ian Farrar	Appointed 13 11 2012
Mike de Vies	Appointed 13 11 2012

Council Nominated Directors:

James Foreman	
James Sewell (Vice-Chair)	
Edward Malcolm (Chair)	Appointed 09 07 2013
Joanne Bell	Resigned 16 05 2013
Melanie Webster	Appointed 16 05.2013

Secretary and Registered Office:

Brian Scott
Director of Finance and Support Services
South Shields Town Hall
Westoe Road
South Shields
Tyne and Wear
NE33 2RL

Internal Auditor:

South Tyneside Council
South Shields Town Hall
Westoe Road
South Shields
Tyne and Wear
NE33 2RL

Board and Advisors (continued)

External Auditor:

KPMG LLP
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

Solicitor:

Mike Harding
Head of Legal Services
South Tyneside Council
South Shields Town Hall
Westoe Road
South Shields
Tyne and Wear
NE33 2RL

Bankers:

National Westminster
South Shields Branch
40 King Street
South Shields
NE33 1HF

Directors' report for the year ended 31 March 2013

The Board of South Tyneside Homes Limited (trading as "South Tyneside Homes") presents its annual report and financial statements for the year ended 31 March 2013

South Tyneside Homes was incorporated on 3rd March 2005 and began trading on 1 April 2006

Principal Activity

The principal activity of the company is the day-to-day provision of housing management, repair and improvement services to the housing stock of South Tyneside Council

Review of Business

The Company made an operating deficit of £568,000 (£13,000 surplus for 2011/12) The 2012/13 deficit included a pension adjustment of £840,000 (£462,000 in 2011/12) as calculated by AON Hewitt Excluding this adjustment, the underlying surplus for 2012/13 was £272,000 (£475,000 in 2011/12)

There was a net surplus of £7,000 (£5,000 surplus for 2011/12) of interest receivable over interest payable, excluding FRS17 adjustments in respect of interest on the pension scheme assets and liabilities

The financial performance for 2012/13 can be analysed as follows

	£
Operating Surplus before pension adjustment	272
Pension Adjustment	(840)
Operating Deficit	(568)
Net interest receivable	7
Deficit for the year excluding FRS 17 finance cost	(561)
FRS 17 Finance cost	(650)
Deficit for the year before tax	(1,211)

Along with most Local Authorities and ALMO's, South Tyneside Homes has a pension deficit It has been agreed with the Tyne and Wear Pension Fund and guaranteed by South Tyneside Council that this pension deficit will be recovered over the next 20 years As at 31st March 2013 the pension liability was £34,480,000 compared with £32,520,000 as at 31st March 2012.

This marks the end of our seventh year as South Tyneside Homes delivering decent homes, which is what we were set up to do

We continue to focus on improving services to tenants, both in terms of quality and choice but also in terms of improving levels of performance

Significant progress was made in all areas of our business, reflecting the enormous amount of work and effort that staff, tenants and other stakeholders, particularly Council colleagues, have contributed

Looking ahead

South Tyneside Homes Company Plan for 2013/16 sets out a medium term vision for the company and for services, along with priorities to be addressed in order to achieve the vision. The Plan sets out our vision, values and objectives that drive everything we do. It also sets out under each of these objectives some of our key achievements over the last year, how we have performed, how satisfied customers have been with us over the year and some of our main plans looking forward.

The Plan considers the context in which we work, including local and national priorities and those of our tenants, and looks at our key achievements over the last year. It demonstrates how over the next three years we will significantly improve the quality of life for council tenants and leaseholders, through a programme of service improvements and through provisionally agreed investment of £105m million over the next three years, in the housing stock. Improvements are identified in relation to each of our three strategic objectives.

Great Homes in Great Places Great Services Great Company

Our objective "Great Homes in Great Places" will be achieved through a major investment, planned maintenance and repair programmes, improvements to estates and our work on energy efficiency and environmental management.

Key Achievements, Awards and Accreditations

- Completed 3 year non-traditional homes programme for over 1,000 homes and delivered all other Decent Homes on schedule
- Secured around £7 Million of external funding from a wide range of sources
- Delivered almost £5 million of investment, in partnership with the Council, through the Environmental Project Group (EPG) schemes
- Project managed the installation of 440 renewable energy systems
- Handy homes service made available to all Council tenants
- Achieved 100% Gas servicing across the stock 2012/2013
- Integrated materials supply partnership with Wolseley UK
- National Apprenticeship Service (NAS) award for best large company employer 2010 and NAS Top 100 Apprentice employer 2011
- Association of Public Service Excellence (APSE) Apprentice award winner individual apprentice 2010 runner up 2009/11/12.

- Winner North East Business Awards Community Footprint Awards, and Heat Heroes (Both National Energy Action)
- ISO14001 Certification for Environmental Management System
- MCS accredited installer of solar photovoltaic technology
- Completed review of the Repairs and Maintenance contract and agreed ten years extension

Aims for 2013/16

- Plan, mobilise and deliver an investment programme of £105m
- Embed new working systems through North East Procurement (NEP)
- Deliver a Planned Maintenance Programme (target 45%), and a long term vision for South Tyneside Council's housing stock
- Increase customer satisfaction and review targets across the service
- Text messaging – Reporting Responsive repairs (reduce no answers)
- Consider reducing responsive repair inspections to 15days
- Investigate the use of electronic hand held devices for repair inspections
- Review working hours and explore flexible working for our front line teams
- Offer more appointment slots for responsive repairs for our customers
- Continue to identify and secure external funding, inc claims and monitoring
- Provide energy advice to help tackle fuel poverty
- Ensure legal compliance with Environmental Legislation

Looking Forward

South Tyneside Council will look to access funds to develop a programme of affordable housing through the provision of central government funding Should this be successful South Tyneside Homes could eventually manage the new homes owned by the Council or by a development company set up by the Council

We will review our processes and monitoring arrangements to ensure that the borough's Council housing stock are let as quickly as possible and to the highest possible standard

We will continue to work with our delivery partners to maximise investment in the Borough's Council housing stock and deliver the Decent Homes programme as agreed with South Tyneside Council.

How we are doing

- 100% of repairs completed within repairs policy timescale
- 99 94% of urgent repairs completed on time.
- 99 90% of emergencies completed on time

- 99.97% of routine repairs completed on time
- 100% of homes have a valid gas certificate as at the 31st March 2013
- 2938 more homes were made decent under the Decent Homes standard

Our customers' views

- Satisfaction with repairs 9.6/10 (target is 9.1)
- Satisfaction with Decent Homes work 9.2/10 (target is 8.6)
- Satisfaction with work undertaken to install adaptations 9.9/10 (target is 9).

"I was very happy with the Handy Homes, new blind fitted and assembled new table, the workman was absolutely fantastic" (Quote from tenant)

Our objective "Great Services" encompasses the neighbourhood management service, supported housing, the choice based letting service "Your Choice", income management, dealing with anti-social behaviour

Key Achievements, Awards and Accreditations

- Restructure of Housing Area Management completed in April 2012, the service is now provided on an Estate by Estate basis with the Housing Management Officers acting as advocates for current and prospective tenants
- The **Going Local** Project changing how the company delivers area management services within the wider Area Regeneration Programme being undertaken by South Tyneside Council
- 53 Estates have been established and the boundaries agreed with customers and Elected Members
- Reporting is now CAF area based throughout the organisation allowing for comparisons in performance between individual areas and the Borough
- Retaining Customer Service Excellence for Income at second annual review
- Maintained positive performance in the number of tenants who owe more than 7 weeks gross rent. The percentage has been below 5% since April 2012
- Proportion of rent collected within 1% of the target for 2012/13
- Overall reduction in the number of empty homes
- Re-branding and remodelling the service to Housing Plus
- Remodelled delivery of services around tenants needs and aspirations
- Successful implementation of Tyne and Wear Homes sub regional choice based lettings service and partnership working with the Council on Homefinder
- Established the welfare reform team in February 2013

Aims for 2013/16

- Development of Contact Manager to improve customer service
- Implement Mobile Working for Housing Area Management and Income
- Improved partner liaison arrangements and better community involvement through the Going Local/Area Management project
- Expand the communication methods available through the Service Centre
- Monitor and develop survey work in the Housing Service Centre
- Minimise the impacts of Welfare Reform Legislation on income collection and tenants
- Review and improve our approach to Financial Inclusion
- Ensure effective TET / ASBU and wider partnership arrangements in place
- Demonstrate Excellence in Housing Plus
- Explore new options for service charging
- Increase the use of Digital Technology and Telecare Services in Housing Plus
- Explore and work on remodelling plans for low demand properties
- Reduce average re-let times and minimising future rent loss as a result
- Implementation of the Revised Council Allocation Policy
- Supporting the Council's statutory Homeless Service
- Improve Gas Compliance and Safety in leasehold Properties
- Maximise the effectiveness and efficiency of the newly implemented Open Housing Leaseholder module
- Review the leaseholder service charge collection policy

Looking Forward

We will support the Council to develop initiatives and strategies that ensure that there is the right type of accommodation that meets our ageing population's needs and aspirations

We will ensure that the Council have the right types of homes and support for young people as they progress through their housing pathway towards independent living

We will continue to develop and deliver the Going Local project to focus on the core housing business within our direct control that includes simplified line management and performance monitoring in housing management with clearer objectives that are aligned to local priorities

How we are doing

Only 1.75% of new tenancies failed within the first 6 months of the tenancy (target of below 3.25%)

Less than 5% of tenants owe South Tyneside Council more than 7 weeks' rent arrears, less than ever before and below the target of 5.4%

98.5% of anti-social behaviour cases were responded to in time

More than 89% of cases that were closed were not re-referred within 3 months (target of 88%)

Our customers' views

The Annual Tenants survey was conducted between April and June 2012 gave the following results -

- Overall satisfaction with the Service we deliver was 8.4/10
- 7.6/10 tenants were satisfied with the overall condition of their home
- 7.1/10 tenants were satisfied that their views were listened to and acted upon
- Customer satisfaction with the anti social behaviour service was 9.18/10 (target of 8.0)
- 8.7/10 tenants are happy with the neighbourhoods where they live

"The help of the Income Team in relation to my rent account, made my life less stressful" (Tenant Quote in annual report)

Our objective to be a Great Company will be achieved through excellence in our relations and engagement with tenants and in the management and development of our organisation and of the services we provide. This objective encompasses tenant involvement, customer service, our approach to equality and diversity and communications, as well as workforce planning, governance, human resources and organisational development, financial and risk management, ICT development, and performance management.

Key Achievements, Awards and Accreditations

- Unqualified external audit reports for all years of reporting
- No outstanding external audit management recommendations

- Successful implementation of the Abritas System which advertises and allocates Council Housing Properties
- Implementation of performance management to measure at an Estate level
- ITIL Foundation accreditation - a standard recognising the ability to implement ICT Systems
- IIP Gold retained during 2012 and recognised as an IIP champion
- Reduced sickness levels down from 13 days to 7.5 days per employee
- Member of the Times Top 100 "Not for Profit" Best Companies to work for
- Positive about Disabled People Accreditation (re-accredited 2012)
- Better Health at Work Gold Award (accredited 2012)
- Information Matters successfully launched
- Business Continuity plan in place for whole Company

Aims for 2013/16

- Continue to reduce sickness levels especially within housing services
- Implementation of mobile working in Housing Services, Asset Management and Property Services
- Maximise the effectiveness of Oracle to support Financial Management
- Ensure services are delivered within budget
- Review and update VFM Strategy
- Continue to Improve the Strategic Planning Process by involving all stakeholders
- Automate and Improve performance monitoring information
- Improve the effectiveness of ICT Services at Housing Plus Schemes
- Explore the implementation of ICT Services for residents at Housing Plus Schemes.
- Introduce more web based services for our customers

Looking Forward

South Tyneside Homes will work to develop a suite of local offers that cover corporate level offers, offers made on a geographical basis and offers made to specific communities, for example, the Black and Minority Ethnic 'BAME' community. South Tyneside Council remains the Registered Provider and as such is ultimately accountable to the regulator and tenants for performance against Local Offers.

South Tyneside Homes will continue to work with the Council to develop new business ideas to create new revenue streams and sustain employment within the borough.

How we are doing

- 79% of tenants believe that the amount of rent and service charges they pay for their home represents good value for money for the services they receive
- 100% of all complaints were acknowledged within target
- 89 34% of all complaints were dealt with within target

Our customers' views

- In our last customer survey overall tenant satisfaction was at its highest level ever – 84%

Our staff view

- In our last Best Companies Engagement Survey, 76% of staff said that they loved working for the organisation

Our commitment to equality and diversity

South Tyneside is home to a rich mix of people. Housing provides the foundation of neighbourhoods and communities containing people from different backgrounds and with various needs.

By promoting equality and diversity in all we do, we aim to support integration and cohesiveness in our communities and provide services that are accessible and tailored to people's specific needs.

We also aim to be an inclusive employer contributing to wider social agendas, supporting people into work and developing a more representative workforce of the borough we serve. Much progress has been made towards these aims through implementation of our equality strategies and plans.

In 2012/13 as part of our commitment to enhancing access opportunities for applicants with disabilities, a consultative exercise was undertaken at the Bliss-Ability Disabled Tenants Forum whereby a number of barriers were discussed and debated. This forum had active representation from a cross section of the disabled community experiencing disadvantage due to physical and mental disabilities. This has since informed a recruitment action plan and additional information has been included in our applicant packs which seeks to reassure prospective applicants with disabilities that we will make all appropriate adjustments to facilitate and maximise opportunities.

In the medium term we aim to

- Continue to work towards having a Board and workforce that is representative of the Borough
- Continue to ensure that our services do not directly or indirectly discriminate against any person who accesses them

Providing value for money is key to the achievement of excellent services and underpins all we do. Our value for money strategy aims to ensure we make best possible use of the resources available to us and that we achieve a balance between cost and quality that meets tenants' aspirations whilst continually improving services.

Value for money

In the medium term we aim to

- Support the identification and delivery of additional income opportunities for the company.
- Year on year value for money savings throughout the Company

The Board and Executive Officers

Under guidance for the setting up of Arms Length Management Organisations, issued by the Government, the company's Board of Non-Executive Directors has equal representation of Tenant, Council and Independent Members. Council Directors are appointed and removed directly by the Council, whilst Tenant and Independent Directors are appointed through selection following advertisement. Tenant and Independent Directors are subject to rotational retirement rules contained in the company's Articles of Association.

The operational day-to-day running of the company is delegated to paid strategic employees by the Board, through the company's Scheme of Delegation and in the first instance, to the company's Chief Executive. None of the Corporate Management Team are Board Members.

Corporate Governance

South Tyneside Homes is run by a Board of 12 Directors

- **4 Council nominees**
- **4 Tenants**
- **4 Independent directors**

This composition is in accordance with Government Guidance on ALMOs

The Board met on 7 occasions during the 2012/13 financial year

The Company's Board has the ultimate responsibility for the internal governance of the organisation. Its role is to direct the work of the organisation, determine its strategic direction, deliver its commitments under the Management Agreement, and approve overall expenditure and the policies of the organisation

The Board is committed to the delivery of high quality housing services to its customers, and its aims and objectives embrace the key principles of good governance, i.e. transparency, integrity and inclusiveness. The Company signs up to the principles of the Combined Code in so far as they are applicable to an organisation of its size and structure, and as well as having robust codes of conduct and board policies, the Company has a clear Risk Management Strategy in place which underlies its key decisions

The Board agreed the establishment of a streamlined committee structure to support its work, which allowed the Board to focus on achievement of the Company's strategic objectives while receiving assistance in this role and in ensuring good governance and decision making. Four committees were agreed with clear terms of reference and delegations that supports effective and efficient decision making

The Committees are

- **Audit and Risk – the Committee met on 4 occasions**
- **Great Company – the Committee met on 8 occasions**
- **Great Homes in Great Places – the Committee met on 8 occasions**
- **Great Services – the Committee met on 8 occasions**

These Committees carry out delegated responsibilities on behalf of the main Board, including more detailed scrutiny and discussion of their areas of activity than could otherwise be carried out by the Board itself

All the Company's corporate governance arrangements are set out in the Company's Governance Manual

Directors' Interests

South Tyneside Homes is a local authority controlled company of South Tyneside Council, established with no share capital and limited by guarantee.

The Directors have no direct financial interest in South Tyneside Homes Limited

Policy on the Employment, Training and Development of Disabled People

The Board of South Tyneside Homes approved on 27th March 2006 in preparation of going live on 1st April 2006, policies on employment and equalities & diversity that relate to this area. The policies set out objectives to address the inequalities and disadvantage that many communities, including disabled people, face in our society. In the area of our approach to disabled people and employment, we were accredited with the positive about disabled people "Two Ticks Award" in 2007.

This commits the organisation to

- **Interview all applicants with a disability who meet the minimum criteria for a job vacancy and consider them on their abilities.**
- **Ensure that there is a mechanism in place to discuss, at any time, but at least once a year, with disabled employees, what we can do as employers to ensure they can develop and how best to use their abilities.**
- **Make every effort when employees become disabled to make sure they stay in employment.**
- **Take action to ensure that all employees develop the appropriate level of disability awareness needed to make our commitments work.**
- **Each year, to review these commitments and what has been achieved, to plan ways to improve on them and let our employees know about progress and future plans.**

We aim to make sure that our practices as an employer are fair and equitable. In 2008/09 we completed a job evaluation exercise working closely with the trade unions. A fairer and more equitable pay model was implemented during 2009/10. In 2010/11 we completed a job evaluation on our red book employees which was agreed with trade unions and staff.

Employee Communication and Involvement

The Company is committed to the involvement of its staff in the development and improvement of all areas of its work and understands the importance of effective communication to achieve positive change. Elements of South Tyneside Homes' approach to staff involvement and communication include

- **Monthly Team Brief and Managers' Matters briefings, regular team meetings and a fortnightly Staff Matters magazine.**
- **A formal annual appraisal mechanism for all staff to receive feedback on performance, gain an understanding of their targets relating to achievement of the organisation's goals and their training and development needs and a 6 monthly review.**
- **An inclusive approach to service improvement through the network of working groups set up to deliver the service improvement programme. These include service development groups that involve customers.**
- **Regular formal and informal communication and consultation mechanisms with trade unions.**

We have an up to date People Strategy, providing a range of health and wellbeing initiatives and invest in training and developing our employees. 2012/13 has seen the continuation of the leadership development programme down to the next tier of management. An annual training programme and partnership with skills for life will provide personal and skills development for employees.

Liaison with South Tyneside Council

The relationship between South Tyneside Homes and South Tyneside Council (the member) is extremely important. In order to ensure that formal and informal communication, liaison and partnership working take place, a range of liaison mechanisms were discussed and implemented over the past 12 months. The arrangements include reports to the Council's Housing Performance Panel, Housing Commissioning Group, the Community Area Forums, Cabinet and the full Council. Regular meetings between Executive Officers of both organisations also take place covering key areas of the work, including financial matters of South Tyneside Homes.

Statement of the Board on internal financial records

The Board acknowledges its ultimate responsibility for ensuring that the company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect 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 ensuring that

- **Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate**
- **All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures**
- **The Board reviews reports from management, from the internal auditors, from the external auditor and from its own Audit & Risk Committee to provide reasonable assurance that the control procedures are in place and are being followed. This includes a general review of the major risks facing the company. The Internal Auditors make regular reports to the Audit & Risk Committee**
- **Formal procedures instituting appropriate action to correct weaknesses identified from the above reports will be set in place as required.**

Policy and practice on payment of creditors

As a controlled company of a local authority, the company adheres to BVPI 8, which requires the payment of undisputed creditor invoices within 30 days of receipt of the invoice. Where disputes arise we attempt to resolve them promptly and amicably to ensure delays in payment are kept to a minimum.

Disclosure of information to Auditor

The directors who held office at the date of approval of this director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a directors to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

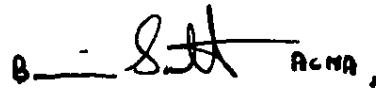
The Directors' Report was approved by the Board on the 9th July 2013 and signed on its behalf by:

Chair



Cllr Ed Malcom

Company Secretary



Brian Scott

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of South Tyneside Homes Limited

We have audited the financial statements of South Tyneside Homes Limited for the year ended 31 March 2013 set out on pages 22 to 38. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with UK 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 Directors' Report 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



Mick Thompson
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

9 July 2013

**Income and expenditure account
for the year ending 31 March 2013**

	<i>Note</i>	2013 £'000	2012 £'000
Turnover	2	66,523	53,493
Operating costs before exceptional pension credit	2	(67,091)	(53,480)
Operating (deficit) / surplus		<u>(568)</u>	<u>13</u>
Interest receivable	4	8	7
Interest payable	5	(1)	(2)
Other finance (costs) / income	3	(650)	200
(Deficit) / Surplus on ordinary activities before taxation	2 - 6	<u>(1,211)</u>	<u>218</u>
Taxation on surplus from ordinary activities	10	-	-
(Deficit) / Surplus for the financial year	16	<u>(1,211)</u>	<u>218</u>

All amounts relate to continuing activities

The notes on pages 25 to 38 form part of these financial statements

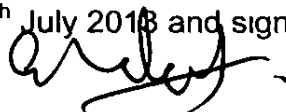
**Statement of total recognised surpluses and deficits
for the year ending 31 March 2013**

	2013 £'000	2012 £'000
(Deficit) / Surplus for the financial year	(1,211)	218
Actuarial loss recognised in the pension scheme	(470)	(11,950)
Total deficit recognised in the year	<u>(1,681)</u>	<u>(11,732)</u>

**Balance Sheet
as at 31 March 2013**

	<i>Note</i>	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Tangible fixed assets	11		114		230
Current assets					
Stock	12	-		359	
Debtors	13	6,892		8,757	
Cash at bank and in hand		4		269	
		<u>6,896</u>		<u>9,385</u>	
Current liabilities					
Creditors: amounts falling due within one year	14	<u>(5,695)</u>		<u>(8,579)</u>	
Net current assets			1,201		806
Total assets less current liabilities			<u>1,315</u>		<u>1,036</u>
Net pension liability	19		34,480		32,520
Capital and reserves					
Revenue reserves excluding pension liability		1,315		1,036	
Pension reserve		<u>(34,480)</u>		<u>(32,520)</u>	
Revenue reserve including pension liability	16		(33,165)		(31,484)
Total long term liability, capital and reserves	16		<u>1,315</u>		<u>1,036</u>

These financial statements were approved by the Board and authorised for issue on 9th July 2013 and signed on its behalf by


Cllr Ed Malcolm
Chair

Cash flow statement
For the year ending 31 March 2013

	<i>Note</i>	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Net cash outflow from operating activities	20a		(247)		(190)
Returns on investments and servicing of finance					
Interest received		8		7	
Interest paid		(1)		(2)	
		<hr/>	7	<hr/>	5
Capital expenditure					
Purchase of tangible fixed assets			-		(30)
Financing					
Capital element of finance lease rental payments			-		(18)
Decrease in cash	20b		<hr/> (240) <hr/>		<hr/> (233) <hr/>

Notes to the accounts

1. Accounting Policies

The following accounting policies have been applied consistently. A summary of the more important accounting policies, is set out below.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 5 to 18.

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons. The Company is reliant upon the continued financial support of its ultimate parent undertaking, South Tyneside Council, to enable it to meet its ongoing funding requirements. South Tyneside Council has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company including commitments in respect of retirement benefits and in particular will not seek repayment of the amounts currently made available. In respect of the Pension Fund net liability of £34,480,000, South Tyneside Council acts as underwriting guarantor and has noted the existence of a Contingent Liability in its accounts for the year ending 31st March 2013.

The Directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Notes (continued)

Turnover

Turnover represents fees received from South Tyneside Council for the management, maintenance and capital enhancements of South Tyneside Council's housing stock and other Council owned buildings

Income is recognised on an accruals basis

Within the Management Fee turnover the Company has included £23,623,549 for work carried out by Strategic Partners. The Company procures work from the partners on the Decent Homes Programme and recharges these costs with no additional margin

Retirement Benefits

The Company participates in the Tyne and Wear Pension Fund. The scheme is a final salary Local Government Pension Scheme and the assets of the scheme are held separately from those of the company. Retirement benefits to employees of the Company are funded by contributions from all participating employers and employees in the scheme.

These payments are made in accordance with periodic calculations by the Actuary to the fund and are based on future pension costs applicable to the various participating organisations. The amount charged to the Income and Expenditure Account in respect of the scheme is based on actuarial estimates and is calculated to spread the cost of pensions over the employees' remaining working lives for the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the correct rate of return on high quality corporate bonds of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split within the Income and Expenditure account between operating charges, exceptional item and finance items and within the Statement of Total Recognised Gains and Losses, actuarial gains and losses.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which may have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

Fixed Assets and Depreciation

The Company has a policy of capitalising fixed assets where the purchase price for individual items exceeds £1,000

Depreciation is provided to write off the cost less the estimated residual value of fixed assets by equal instalments over their estimated useful economic lives as follows

Other equipment – 3 years

Computer equipment and software – 3 years

Operating Leases

Rentals under operating leases are charged to the Income and Expenditure Account in equal annual instalments over the lease term

Finance Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables, the weighted average purchase price is used

Cash at Bank and in Hand

South Tyneside Council manages cash at bank and in hand on the Company's behalf

Notes (continued)

2. Analysis of turnover, operating costs and operating (deficit)/surplus

	2013	2012
	£'000	£'000
Turnover		
Management fee	39,315	26,295
Property services	26,849	27,198
Sale of Stock	359	-
	66,523	53,493
Operating Costs		
Management of housing stock	39,043	25,872
Repairs and maintenance of housing stock	26,849	27,146
Sale of Stock	359	-
FRS 17 adjustment	840	462
	67,091	53,480
Operating (deficit) / surplus	(568)	13

3. Other finance (costs) / income

	2013	2013
	£'000	£'000
Expected return on pension scheme assets	4,030	4,640
Interest on pension scheme liabilities	(4,680)	(4,440)
	(650)	200

4. Interest receivable

	2013	2012
	£'000	£'000
Bank interest	8	7

Notes (continued)

5. Interest payable

	2013 £'000	2012 £'000
Interest payable	(1)	(2)

6. (Deficit)/Surplus on ordinary activities before taxation

	2013 £'000	2012 £'000
(Deficit)/Surplus on ordinary activities before taxation is stated after charging		
Depreciation	116	114
Hire of assets – Land & Building	-	221
Auditor's remuneration		
- in their capacity as auditors	18	17
- for other services	3	4

7. Employee information

The average number of persons employed during the year, expressed as equivalent full time employees was

	2013	2012
Housing management	283	286
Property services	362	365
	645	651

	2013 £'000	2012 £'000
Staff costs for the above persons were		
Wages and salaries	16,934	17,279
Social security costs	1,233	1,253
Other pension costs (see note 19)	3,520	2,940
	21,687	21,472

Notes (continued)

8. Directors' emoluments

The Directors, with the exception of the Chair with effect from 1st September 2012, do not receive payment or any benefits in kind for their roles, although they are able to reclaim their expenses incurred attending meetings. The aggregate amount of expenses paid to Board Members in the year were £9,309 (2012 £342). In the current year fees paid to the Chair were £9,036.

9. Operating Leases

Annual commitments under non cancellable operating leases are as follows

	2013 Land & Buildings £'000	2013 Other £'000	2012 Land & Buildings £'000	2012 Other £'000
Operating leases which expire:				
Within one year	-	-	-	-
In second to fifth years	-	7	-	5
Over five years	-	-	221	-
	-	7	221	5

10. Taxation

The directors believe that there is insufficient commerciality between the ALMO and its parent for its activities to be considered trading and therefore no tax provision or deferred tax liability should be provided in the financial statements.

Notes (continued)

11. Tangible fixed assets

	IT and other equipment £'000
<i>Cost</i>	
At beginning of the Year	626
Additions	-
Disposals	(17)
At end of the Year	<u>609</u>
<i>Depreciation</i>	
At beginning of the Year	396
Charge for the Year	116
Disposals	(17)
At end of the Year	<u>495</u>
<i>Net book value</i>	
At 31 March 2013	<u>114</u>
At 31 March 2012	<u>230</u>

Notes (continued)

12. Stock

	2013 £'000	2012 £'000
Raw materials and consumables	-	359

Stock was sold in 2013 to Wolseley UK at cost

13. Debtors

	2013 £'000	2012 £'000
Trade debtors	287	156
Sundry debtors	6	-
Prepayments	81	-
Amounts owed by the parent undertaking	6,518	8,601
Total debtors	6,892	8,757

All debtor balances are receivable within one year

14. Creditors amounts falling due within one year

	2013 £'000	2012 £'000
Bank overdraft	60	85
Amount due to parent company undertaking	1,715	1,744
Trade creditors	263	809
Sundry creditors	2	9
Accruals and deferred income	2,681	4,487
Pension	276	287
Other taxation and social security	698	1,152
Obligations under finance leases and hire purchases	-	6
	5,695	8,579

Notes (continued)

15. Share capital

The company does not have any share capital as it is limited by guarantee of £1 per member

Membership at 31st March 2013 was 1

16. Reserves

	Revenue reserves
	£'000
Balance at 1 April 2012	(31,484)
Deficit from income and expenditure	(1,211)
Net actuarial loss recognised in the pension scheme	(470)
Balance at 31 March 2013	<u>(33,165)</u>
	2013 £'000
Revenue reserve excluding pension reserve	1,315
Pension reserve	(34,480)
Revenue Reserve including Pension Reserve	<u>(33,165)</u>

17. Related party transactions

The Company's main source of income is management fees and charges from South Tyneside Council, its ultimate parent undertaking. Income from South Tyneside Council amounted to £66,164,149 in the year (£53,492,700 in 2011/12). The amount outstanding at 31st March 2013 was £6,518,863 (£8,601,000 in 2011/12).

The Company purchases goods and services from South Tyneside Council as part of its operating activities. No profit is made from these transactions. The balance outstanding at 31st March 2013 and due to be paid over to South Tyneside Council was £1,714,870 (£1,744,168 in 2011/12).

Notes (continued)

18. Ultimate parent undertaking

The Company is a subsidiary undertaking of South Tyneside Council. The consolidated accounts of the group are available to the public and may be obtained from the Head of Finance, South Tyneside Council, Town Hall and Civic Offices, Westoe Road, South Shields, NE33 2RL.

19. Pensions

The Company participates in the Tyne and Wear Pension Fund, a Local Government Pension Scheme ('LGPS'), which is a funded defined benefit scheme based on members' final pensionable pay. The latest full actuarial valuation was carried out by Aon Hewitt Limited at 31 March 2010 and was updated for FRS 17 purposes to 31 March 2011, 31 March 2012 and 31 March 2013 by Aon Hewitt Limited, a qualified independent actuary.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2013 £000	2012 £000
Present value of funded defined benefit obligations	(107,670)	(96,040)
Fair value of plan assets	<u>73,190</u>	<u>63,520</u>
Deficit	(34,480)	(32,520)
Related deferred tax asset	-	-
Net liability	<u>(34,480)</u>	<u>(32,520)</u>

Movements in present value of defined benefit obligation

	2013 £000	2012 £000
At 1 April	96,040	81,160
Current service cost	3,270	2,940
Past service cost	250	50
Interest cost	4,680	4,440
Actuarial losses	4,150	8,330
Contributions by members	960	990
Benefits paid	(1,680)	(1,870)
At 31 March	<u>107,670</u>	<u>96,040</u>

Notes (continued)

19 Pension schemes (continued)

Movements in fair value of plan assets

	2013	2012
	£000	£000
At 1 April	63,520	60,850
Expected return on plan assets	4,030	4,640
Actuarial gains/(losses)	3,680	(3,620)
Contributions by employer	2,680	2,530
Contributions by members	960	990
Benefits paid	(1,680)	(1,870)
At 31 March	73,190	63,520

Expenses recognised in the income and expenditure account

	2013	2012
	£000	£000
Current service cost	3,270	2,940
Past service cost	250	50
Interest on defined benefit pension plan obligation	4,680	4,440
Expected return on defined benefit pension plan assets	(4,030)	(4,640)
Total	4,170	2,790

The expense is recognised in the following line items in the income and expenditure account

	2013	2012
	£000	£000
Operating costs	3,520	2,990
Other finance costs / (income)	650	(200)
	4,170	2,790

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £470,000 loss (2011 £11,950,000 loss)

Cumulative actuarial losses reported in the statement of total recognised gains and losses for accounting periods ending from 31 March 2007 are £24,760,000 (2012 £24,290,000).

Notes (continued)

19 Pension schemes (continued)

The fair value of the plan assets and the return on those assets were as follows

	2013	2012
	Fair value	Fair value
	£000	£000
Equities	49,769	43,511
Government bonds	5,123	4,510
Corporate bonds	8,051	7,368
Property	6,587	5,844
Cash	1,172	1,207
Other	2,488	1,080
	<u>73,190</u>	<u>63,520</u>
Expected return on assets	4,030	4,640
Actuarial gain / (loss) on assets	3,680	(3,620)
	<u>7,710</u>	<u>1,020</u>

South Tyneside Homes employs a block building approach in determining the rate of return on fund assets. Historical markets are standard and assets with higher volatility assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each class of asset is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2013.

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows

	2013	2012
	%	%
Discount rate	4.6	4.8
Rate of increase in pensions in payment	2.8	2.6
Rate of increase to deferred pensions	2.8	2.6
Future salary increases	4.7	5.1
Inflation increase		
- RPI	3.7	3.6
- CPI	2.8	2.6

Notes (continued)

19 Pension schemes (continued)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows

- Current pensioner aged 65 21 6 years (male), 23 8 years (female)
- Future retiree upon reaching 65 23 4 years (male), 25 7 years (female)

History of plans

The history of the plans for the current and prior periods is as follows

Balance sheet

	2013	2012	2011
	£000	£000	£000
Present value of scheme liabilities	(107,670)	(96,040)	(81,160)
Fair value of scheme assets	73,190	63,520	60,850
Deficit	<u>(34,480)</u>	<u>(32,520)</u>	<u>(20,310)</u>

Experience adjustments

	2013	2012	2011
	£000	£000	£000
Experience adjustments on scheme liabilities	60	(210)	(2,530)
Experience adjustments on scheme assets	3,680	(3,620)	3,520
	<u>3,740</u>	<u>(3,830)</u>	<u>990</u>

The Company expects to contribute approximately £2,550,000 to its defined benefit plans in the next financial year.

Notes (continued)

20. Notes to the cash flow statement

a) Reconciliation of operating surplus to net cash outflow from operating activities

	2013 £'000	2012 £'000
Operating (deficit) / surplus	(568)	13
Depreciation	116	114
Decrease / (increase) in debtors	1,865	(3,534)
Decrease / (increase) in stock	359	(42)
(Decrease) / increase in creditors	(2,859)	2,797
Difference between pension service cost and finance costs and cash contributions	840	462
Net cash outflow from operating activities	<u>(247)</u>	<u>(190)</u>

b) Reconciliation of net cash outflow to movement in net debt

	2013 £'000	2012 £'000
Decrease in cash in the year	(240)	(233)
Net funds at start of the year	184	417
Net (debt)/funds at end of the year	<u>(56)</u>	<u>184</u>

c) Movement in net funds/(debt)

	At start of year £'000	Cash Flows £'000	At end of year £'000
Cash at bank and in hand	269	(265)	4
Bank overdraft	(85)	25	(60)
	<u>184</u>	<u>(240)</u>	<u>(56)</u>