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# SOUTH LIVERPOOL HOUSING LIMITED



## Report and Group Financial Statements

Year ended 31 March 2000







# **SOUTH LIVERPOOL HOUSING LIMITED**

**Report and Group Financial Statements**

**Year ended 31 March 2000**

**Registered at Companies House number 3550000**

**Registered with the Housing Corporation as a  
Social Landlord number L4230**

# South Liverpool Housing Limited

## REPORT AND GROUP FINANCIAL STATEMENTS

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## South Liverpool Housing Limited

### Vision and Values Statement

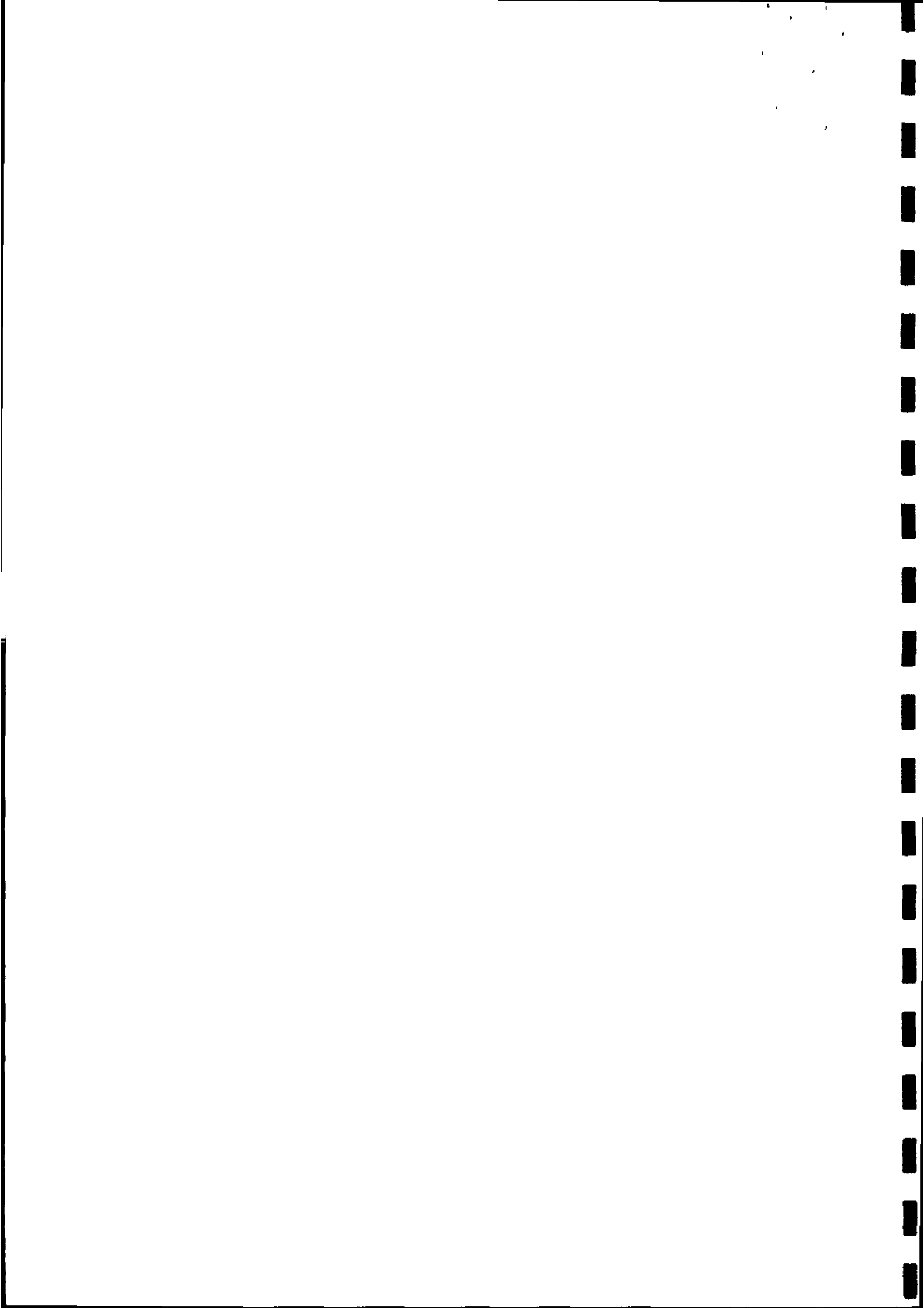
The Board is pleased to present its Vision and Values Statement for the Company below. In producing the Statement, the Board consulted the local community, our employees, stakeholders, partners and local agencies. These statements underpin the Company's Corporate Plan, which was formally approved by the Board in April 2000.

*Making Speke and Garston a better place to live and work.*

*By:*

- ♦ *Providing affordable, warm homes improved and maintained to a modern standard*
- ♦ *Creating a safe and pleasant environment where people want to live*
- ♦ *Responding firmly and fairly to anti-social behaviour*
- ♦ *Building the local economy and community particularly through its young people*
- ♦ *Providing excellent services with staff who are helpful, knowledgeable and willing to listen*
- ♦ *Managing neighbourhoods in a caring and responsive way and using our influence and innovation to bring about lasting regeneration*

*We will do this in active partnership with all those committed to both the long-term sustainable regeneration and neighbourhood renewal of this part of Liverpool.*



## South Liverpool Housing Limited

### Board Members, Executive Officers, Advisors and Bankers

#### Board:

Chair and Independent Member      Catherine Meredith

Other Members:  
Independent Members      Anthony Crisp  
Christine Darbyshire  
David Green  
David Wilson

Tenant Members      Diane Bemand  
Michael Knight  
Eric O'Hara  
Barbara Southern  
John Williams

Local Authority nominees      Flo Clucas (served until 6 July 1999)  
Peter Coventry (served until 6 July 1999)  
Erica Kemp  
Peter Millea (served from 6 July 1999)  
Frank Roderick  
George Smith  
Dr Geoffrey Woodcock (served from 6 July 1999)

All Board members have served on the Board throughout the period from 1 April 1999 to 31 March 2000 except where indicated.

#### Executive Officers:

Chief Executive and  
Company Secretary      Matthew Gardiner (commenced 19 April 1999)  
Director of Development      Stephen Nettleton (commenced 1 July 1999)  
Director of Finance      Bob Taylor (commenced 19 July 1999)  
Director of Housing      Clare Budden (commenced 5 July 1999)  
Assistant Director      Hilary Devereux (commenced 4 October 1999)

Registered Office:      Sceptre Court  
40 Tower Hill  
London  
EC3N 4DX

## South Liverpool Housing Limited

### Board Members, Executive Officers, Advisors and Bankers (Continued)

Main Business Premises:      Speke Office  
   11 North Parade  
   Speke  
   Liverpool  
   L24 2SD

&

Garston Office  
4 Sidwell Street  
Garston  
Liverpool  
L19 2JU

External Auditors:              RSM Robson Rhodes  
   Colwyn Chambers  
   19 York Street  
   Manchester  
   M2 3BA

Internal Auditors:                Beever and Struthers  
   St George's House  
   215-219 Chester Road  
   Manchester  
   M15 4JE

Principal Solicitors:            Trowers & Hamlins  
   Sceptre Court  
   40 Tower Hill  
   London  
   EC3N 4DX

Principal Bankers:                National Westminster Bank  
   Liverpool City Office  
   22 Castle Street  
   Liverpool  
   L2 0UP

South Liverpool Housing is registered with the Housing Corporation as a social landlord number L4230

South Liverpool Housing is registered at Companies House number 3550000



# **South Liverpool Housing Limited**

## **Report of the Board**

The Board is pleased to present its report and the audited financial statements for the period ended 31 March 2000.

### **The period of account**

The Company was incorporated on the 21 April 1998 and did not trade during the period 21 April 1998 to 31 March 1999. Dormant Company accounts were filed with Companies House for that period. These accounts are for the period 1 April 1999 to 31 March 2000, however the Company actually commenced trading on the 4 October 1999. Therefore the Company was dormant during the period 1 April 1999 to 3 October 1999.

Prior to 4 October 1999, the costs associated with setting up the Company were financed via Estates Renewal Challenge Fund Grant paid directly to and administered by Liverpool City Council. This Grant was used to finance costs prior to the date of trading including tenant advice and consultation and legal costs. A stock condition survey was also undertaken by the City Council from these funds to establish the level of resources required for the Company to run successfully and meet the guarantees on the level of future rent increases and improvement works on properties promised during the tenant consultation process.

### **The Company**

The Company is a not-for-profit, non-charitable organisation administered by a voluntary Board. It is a Company limited by guarantee under the Companies Act 1985 and is registered as a Social Landlord with the Housing Corporation. The Company operates within the Speke and Garston areas of Liverpool from two local offices, one in Speke and the other in Garston.

In March 2000 the Company set up a wholly owned subsidiary - South Liverpool Regeneration Limited (SLR). SLR received a gift aid payment of £650,000 from the Company on 30 March 2000; this being SLR's only transaction in the period ended 31 March 2000.

SLR is registered as an Industrial and Provident Society and has charitable status. It is currently working towards Registered Social Landlord status with the Housing Corporation.

### **Principal activities**

The principal activity of the Company is the provision of affordable rented accommodation for people in housing need. The Company, however, has a wider remit and that is to contribute to the overall sustainable regeneration of the area through the development and support of appropriate activities and initiatives.

### **Business review**

The Company was set up to take over the majority of Liverpool City Councils' housing stock that is contained within the Speke and Garston areas of the City. On 4 October 1999, 4377 properties were transferred by the City Council. The Company also took over the management of 3 further properties with the intention that they would transfer at some time in the future.

# **South Liverpool Housing Limited**

## **Report of the Board (continued)**

A number of garages and garage sites, leasehold interests and shops were also transferred, whilst a number of open space areas are also anticipated to transfer in the future. The stock transfer was supported by grant funding of £44million allocated by the Government under the 'Estates Renewal Challenge Fund' (ERCF) initiative. This grant allocation enabled the City Council to set up the new Company and will provide SLH with a significant contribution to enable the completion of a major improvement and refurbishment programme of around £100m over a 5-year period. The remaining grant of £40million at the date of the stock transfer was scheduled to be paid to SLH over a period of 18 months from the date of transfer. The ERCF grant also included specific contributions of £2million towards sustainable regeneration activities and £4million towards environmental improvements.

The highlights of the Company's first trading period of account include:

- ◆ Starting the major improvement and refurbishment programme notably with PVCU contracts, re-roofing and a programme of bringing long-term void properties up to an acceptable level in which to relet
- ◆ Completing in excess of 10,000 day to day and void repairs requested by tenants in the 6 month period
- ◆ Setting up its subsidiary company, South Liverpool Regeneration Limited, which has been recognised as having charitable status and is registered with the Industrial and Provident Society. It is the Boards' intention that SLR will work towards Housing Corporation Registration status during 2000/2001

For the period ended 31 March 2000, the Company made a surplus of £18,000 (Group £668,000) for the period. This surplus was transferred to Revenue Reserves. Additionally expenditure of a 'capital' nature of £957,000 (Group £957,000) was incurred on the improvement of housing properties and a programme of acquiring computer equipment to allow more efficient working arrangements for staff.

Company performance was within its approved budget and business plan for the period.

## **Commitment to Partnership Working**

The Board recognises that the successful regeneration of the Speke and Garston areas can only be achieved through co-operation and co-ordination of the activities being carried out by a number of authorities and agencies working in the area.

The Board is pleased to report that it is working closely in partnership with a number of authorities and agencies operating within the area including Liverpool City Council, the Speke Garston Partnership and the Speke Garston Development Company in order to achieve its aims.

## **Members of the Board and Executive Officers**

The names of Board Members and Executive Officers are shown on page 3. The Board consists of 15 non-executive members, 5 are 'Independent' members, 5 are 'Tenant' members and 5 are 'Local Authority nominees'. Of the Independent members, 2 are required to stand down and if desired seek reappointment annually. Tenant representatives are selected via a local tenant election process and 2 tenant representatives are required to

# **South Liverpool Housing Limited**

## **Report of the Board (continued)**

stand down annually and if desired seek re-election. The Local Authority has 5 nominations to the Board and can amend nominees at any time.

The Executive Officers act as executives within the authority delegated by the Board.

## **Employees**

The Board believes that the success of the Company is linked to the quality and commitment of its employees. The Company's ability to meet its objectives and commitments to tenants, the community and its wider stakeholders in an efficient and effective way depends upon the contribution of its employees.

Information on the Company's objectives, progress and activities are shared through regular briefings and meetings. The Company commenced an IT training programme and is in the process of implementing a competency based appraisal system linked to the Company's agreed objectives and priorities. The appraisal system will assist the Company in evaluating the training needs of employees and in determining a formal Training Plan for the business. The Company is committed to equal opportunities in the recruitment and retention of all of its employees.

The Company welcomes applications for employment from disabled persons, which are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities.

In the event of employees becoming disabled, every effort is made to re-train them in order that their employment within the Company may continue.

It is the Company's policy that training, career development and promotion opportunities should be available to all employees.

## **Going Concern**

After making inquiries, the Board has a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

## **Insurance**

The Company maintains insurance policies for Members and Executive Officers against liabilities in relation to the Company.

## **Donations**

The Company made donations of £8,422 to local community groups and the sponsorship of local events during the year.

## **Single European Currency**

The Company's existing accounting system will be capable of accommodating the Euro as and when the UK decides to participate in the single currency.

# South Liverpool Housing Limited

## Report of the Board (continued)

### Year 2000 Compliance

The Audit and Quality Committee of the Company considered and approved a 'Year 2000 Action Plan' which considered the risks posed by the Year 2000 issue, a testing programme of key areas and contingency arrangements. The cost of compliance was not material. The Board is pleased to report that it is not aware of any major disruption as a result of the Year 2000 issue. The Board is not in a position however, to state categorically that the Year 2000 issue will not cause a problem at some future time.

### External Auditors

The Company's External Auditors, RSM Robson Rhodes, are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

The Report of the Board was approved on 6 June 2000 and signed on its behalf by:



Chair of the Board

# South Liverpool Housing Limited

## Governance

### Corporate Governance

The Board acknowledges and welcomes the recommendations contained in the National Housing Federation's (NHF) Code of Governance published in September 1995 and revised and reissued in January 2000 and has resolved to adopt the Code. The Board is totally committed to integrity and accountability in the stewardship of the Company's affairs. The Company has been trading for a very short period of time and the Board, like the employees of the Company has gone through a period of substantial change.

Board members have a variety of skills, interests and background that bring benefit to the Company, however a skills audit will be undertaken during the next year to assess skills against a framework of business requirements. This will enable the formulation of a forward looking training programme for Board members to ensure that members are fully equipped to carry out their duties during what will be a period of great change for the Company.

Regarding the selection of Board members, Tenant Board members are selected through an election process. A process of gaining the interest of more tenants in the activities of the Company has commenced and will continue. The Board wishes to encourage more tenants to participate in the running of the Company and stand for election.

The Board delegates authority to a number of Committees each having its own Terms of Reference. These Committees are relatively new, being in existence for around 6 months and the roles of the Committee Chairs are still to be agreed and documented.

The Board expects to be able to report that it complies fully with the Code in its next report and accounting statements.

### Committees of the Board

The Board has three Committees with delegated decision making duties and responsibilities – Audit and Quality Committee, Finance Committee and Staffing Committee. The Audit and Quality Committee has 6 members - 2 independent, 2 tenant and 2 local authority nominees. Its duties and responsibilities include:

- ◆ Considering Internal Audit reports and findings and monitoring progress
- ◆ Ensuring a risk assessment or review is carried out on an annual basis
- ◆ Advising the Board on the appointment or termination of Internal and External Auditors

The Finance Committee has 6 members – 2 independent, 2 tenant and 2 local authority nominees. Its duties and responsibilities include:

- ◆ Considering detailed budgets to recommend to the Board
- ◆ Considering the quarterly Management Accounts
- ◆ Monitoring the Company's Business Plan
- ◆ Monitoring and recommending to the Board the Company's Information Systems Strategy
- ◆ Monitoring the Company's loans and investment portfolio

The Staffing Committee also has 6 members – 2 independent, 2 tenant and 2 local authority nominees. Its duties and responsibilities include:

# South Liverpool Housing Limited

## Governance (continued)

- ◆ Determining and recommending to the Board employment and staffing policies
- ◆ Agreeing the Company's remuneration policy
- ◆ Recommending to the Board the appointment or dismissal of the Chief Executive or Directors of Development, Finance or Housing
- ◆ Agreeing salary levels of the Chief Executive or Directors of Development, Finance or Housing
- ◆ Reviewing the Company's pension arrangements

Additionally the Board has agreed 3 Area Consultative Committees, one each for East Speke, West Speke and Garston which will be limited decision making bodies consisting of local representatives from each area elected by local people and having some representation from tenants and other residents within the area.

The Area Consultative Committees currently exist as non-decision making bodies and are attended by local tenants on a non-elected basis and by a tenant Board member. These Committees receive performance information about their area, are briefed about the Board's agenda and receive reports from SLH officers for discussion and consultation. It is intended that these Committees will be more formally recognised once interest has been generated to undertake elections to determine membership.

## Internal Financial Controls

In accordance with Housing Corporation circular 18/96, "Internal Financial Control and Financial Reporting", the Board acknowledges its responsibilities for the organisations' system of Internal Financial Control.

It should be recognised that such a system can only provide reasonable, but not absolute assurance regarding:

- ◆ The safeguarding of assets against unauthorised use or disposal
- ◆ The maintenance of proper accounting records
- ◆ The reliability of financial information used within the business or for publication
- ◆ The minimisation and control of significant risks to the Company

The Board with the support of its Executive Officers has reviewed the effectiveness of the Company's Internal Financial Control system for the period 4 October 1999 to the date of this report.

The Company commenced trading on 4 October 1999 and since then the following mechanisms have been introduced which are designed to provide effective internal control:

- ◆ A clearly defined management and reporting structure
- ◆ Financial Regulations and key procedures for staff
- ◆ The production of monthly performance information and management accounts for monitoring and review
- ◆ Development and approval of a 5 year Corporate Plan for the Company

# South Liverpool Housing Limited

## Governance (continued)

- ◆ A 30 year Financial Business Plan
- ◆ Monitoring of the control system by the Audit and Quality Committee, Internal Auditors and Management review

A number of key control processes have also commenced which will continue into next year notably:

- ◆ The completion of a Risk Management Strategy which will be agreed by the Board and then reviewed annually
- ◆ The continued development and documentation of policies and procedures
- ◆ Completion of process reviews being undertaken prior to the introduction of a new Housing Management system

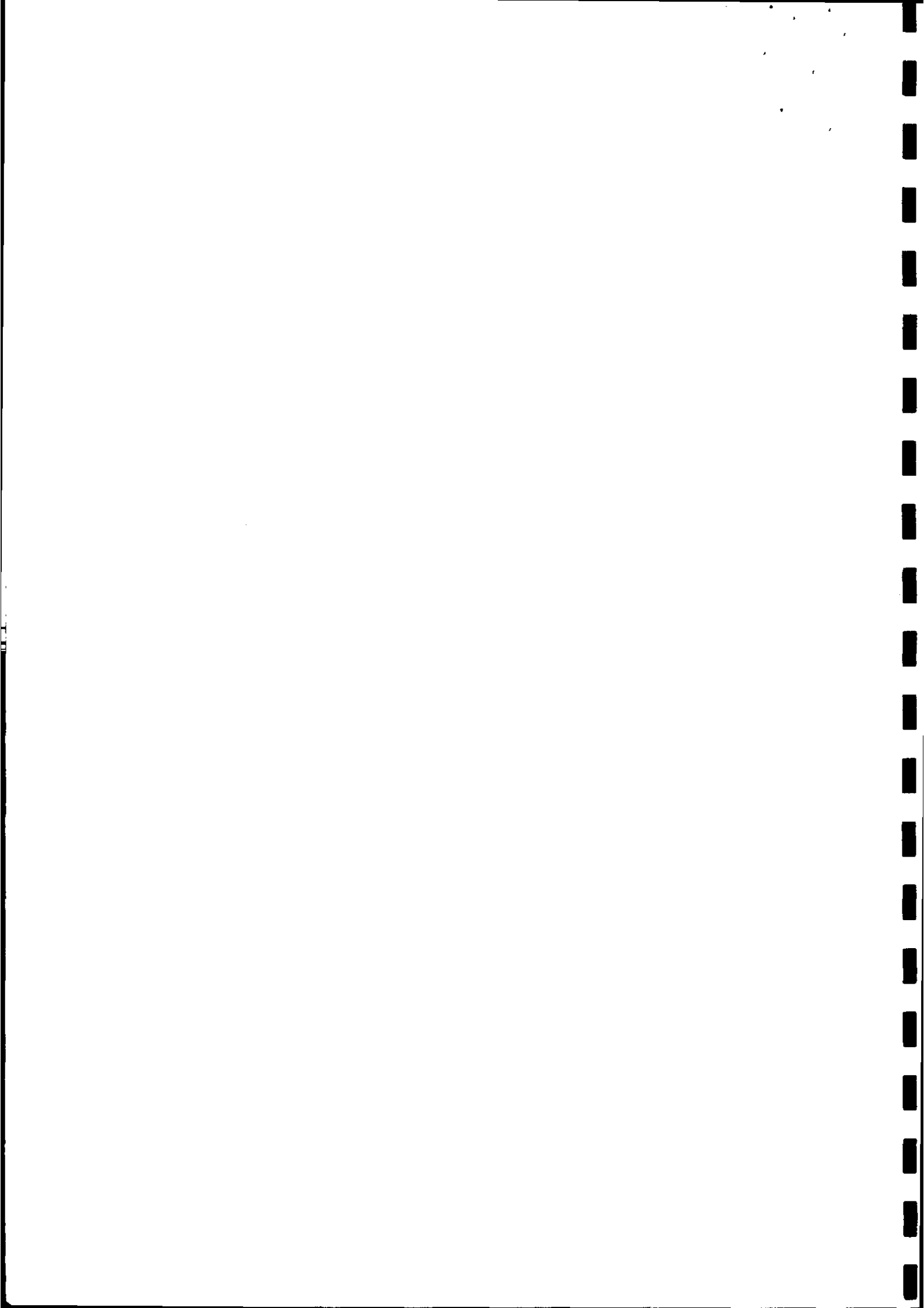
The Board is of the opinion that no weaknesses in internal control have arisen which have resulted in any material losses, contingencies or uncertainties that would require disclosure.

## Statement of the Board's financial responsibilities

Company and Registered Social Landlord legislation requires the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for the period. In preparing the financial statements, the Board has:

- ◆ Selected suitable accounting policies and applied them consistently;
- ◆ Made judgements and estimates that are reasonable and prudent;
- ◆ Followed applicable accounting standards and the 1999 Statement of Recommended Practice: "Accounting by Registered Social Landlords", and
- ◆ Prepared the financial statements on a going concern basis.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Companies Acts, paragraph 17 of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 1997 and 1998.





## South Liverpool Housing Limited

### Report by the Auditors to the Company on Internal Financial Control

In addition to our audit of the financial statements, we have reviewed the Boards' statement on the Company's compliance with Housing Corporation Circular 18/96, Internal Financial Control and Financial Reporting ("the Circular").

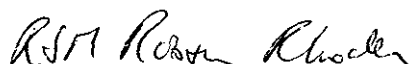
The objective of our review is to enable us to conclude on whether the Board has provided the disclosures required by the Circular and whether the statement is not inconsistent with the information, which we are aware from our audit work on the financial statements.

We have carried out our review in accordance with the guidance issued by the Auditing Practices Board.

That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Company's system of internal financial control.

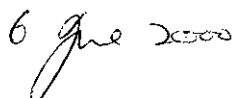
#### Opinion

With respect to the Boards' statement on internal financial control, in our opinion the Board has provided the disclosures required by the Circular and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.



RSM Robson Rhodes  
Chartered Accountants and Registered Auditor

Manchester



## South Liverpool Housing Limited

### Report of the Auditors to the Members of South Liverpool Housing Limited

We have audited the financial statements on pages 14 to 29, which have been prepared on the basis of the accounting policies set out on pages 16 to 18.

#### Respective responsibilities of the Board and Auditors

As described on page 10, the Board is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

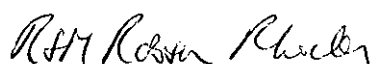
#### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

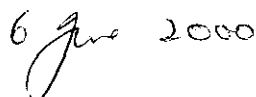
#### Opinion

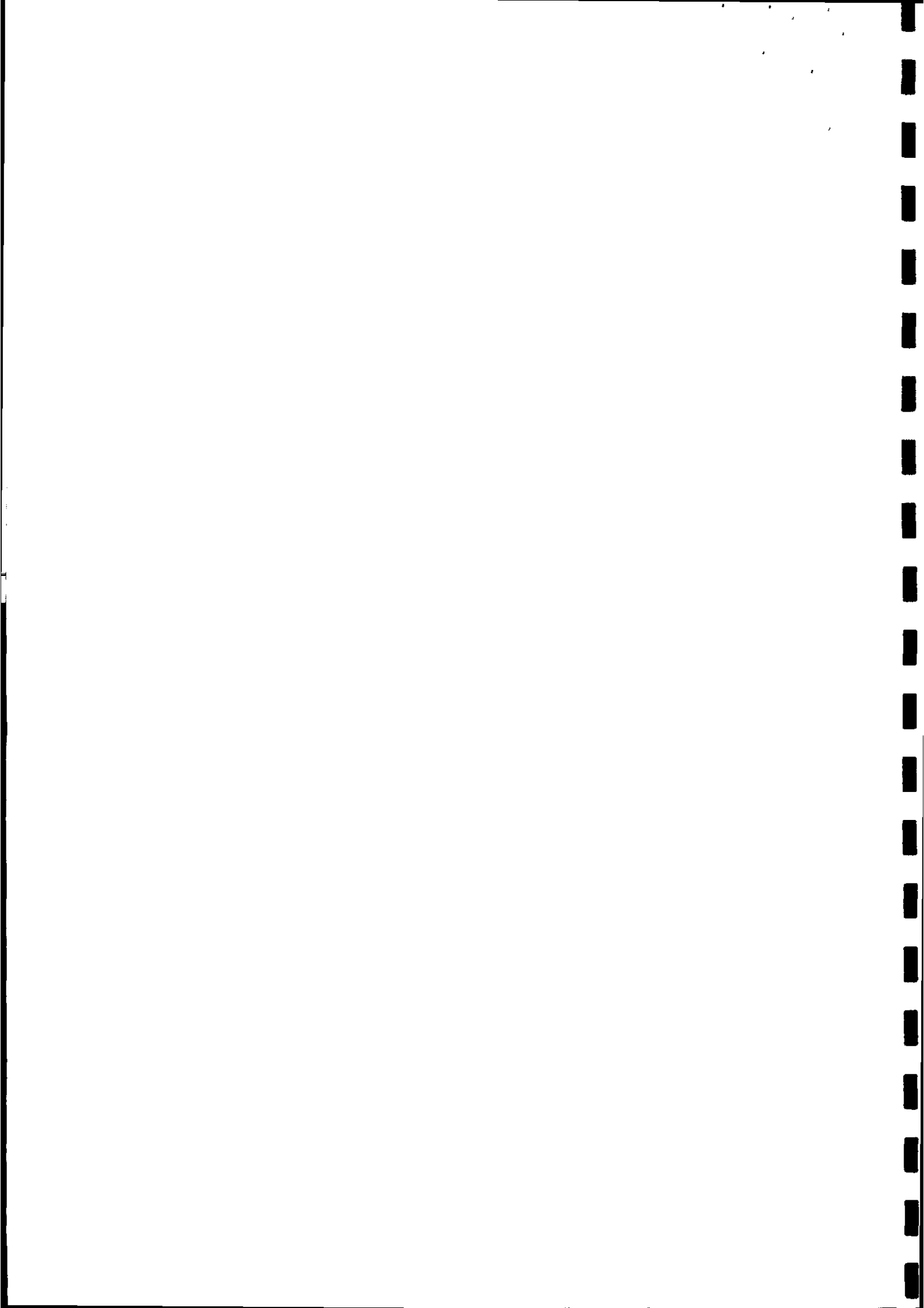
In our opinion the financial statements give a true and fair view of the state of affairs of the Group & Company as at 31 March 2000 and of the surplus for the year then ended and have been properly prepared in accordance with the Companies Acts, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 1997 & 1998.



RSM Robson Rhodes  
Chartered Accountants and Registered Auditor

Manchester





# South Liverpool Housing Limited

## INCOME & EXPENDITURE ACCOUNT for the year ended 31 March 2000

		<u>Group</u> <u>31 March 2000</u> <u>£ 000</u>	<u>Company</u> <u>31 March 2000</u> <u>£ 000</u>
	<u>Note</u>		
Turnover : continuing activities	2	4,030	4,030
Operating costs	2	4,141	4,141
Operating deficit : continuing activities		<u>(111)</u>	<u>(111)</u>
Surplus on sale of fixed assets - housing properties	5	293	293
Interest receivable and other income	6	514	514
Interest payable and similar charges	7	<u>(28)</u>	<u>(28)</u>
Surplus on ordinary activities before taxation	8	668	668
Tax on surplus on ordinary activities	12	-	-
Surplus for the financial year	18	<u>668</u>	<u>668</u>
Gift aid payment		-	(650)
Revenue reserve at 1 April 1999		-	-
Revenue reserve at 31 March 2000		<u>668</u>	<u>18</u>

There were no recognised surpluses or deficits other than those recognised in the income and expenditure account.

The figures above represent the results of 6 months trading from 4 October 1999 to March 2000. Figures are rounded to the nearest £1000 and all comparative figures were zero.

# South Liverpool Housing Limited

## BALANCE SHEET

as at 31 March 2000

	<u>Note</u>	<u>Group</u> <u>31 March 2000</u> <u>£ 000</u>	<u>Company</u> <u>31 March 2000</u> <u>£ 000</u>
<b>Tangible fixed assets</b>			
Housing Properties	12	550	550
Less: Social Housing Grant	12	(550)	(550)
Other tangible fixed assets	12	336	336
		<u>336</u>	<u>336</u>
<b>Current assets</b>			
Debtors due within one year	13	886	886
Investments	14	22,195	21,695
Cash at bank and in hand		187	187
		<u>23,268</u>	<u>22,768</u>
<b>Creditors : amounts falling due within one year</b>	15	8,770	8,920
<b>Net current assets</b>		14,498	13,848
<b>Total assets less current liabilities</b>		<u>14,834</u>	<u>14,184</u>
<b>Creditors : amounts falling due after more than one year</b>	15	14,166	14,166
<b>Capital and reserves</b>			
Income and expenditure account	18	668	18
		<u>14,834</u>	<u>14,184</u>

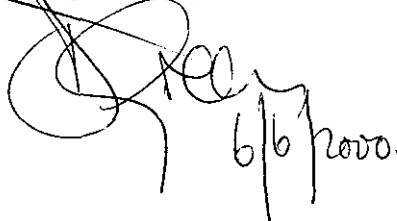
The figures above represent the results of 6 months trading from 4 October 1999 to March 2000.  
Figures are rounded to the nearest £1000 and all comparative figures were zero.

These statements were approved by the Board on the 6 June 2000 and were signed on its behalf by:

Chair of the  
Board :



Chair of the  
Finance Committee :



6/6/2000

Secretary :

Matthews Gordon

## South Liverpool Housing Limited

### CASH FLOW STATEMENT for the year ended 31 March 2000

	<u>Note</u>	<u>£ 000</u>	<u>Group</u> <u>£ 000</u>	<u>Company</u> <u>£ 000</u>
Net cash Inflow from operating activities	19a		729	729
Returns on investments and servicing of finance				
Interest received		194		194
Interest paid		(14)		(14)
Net cash inflow from returns on investments and servicing of finance			180	180
Taxation				
UK corporation tax paid			-	-
Capital expenditure and financial investment				
Net proceeds from sale of housing property		293		293
Improvement in Housing stock		(244)		(244)
Non housing additions		(31)		(31)
Gift aid payment to SLR		-		(500)
Receipt of Social Housing Grant		21,455		21,455
Net cash outflow on capital expenditure and financial investment			21,473	20,973
Management of liquid resources				
Purchase of current asset investments			(22,195)	(21,695)
Net cash outflow before financing			187	187
Increase in cash	19b,c		187	187

The figures above represent the cash flows for the six months of operations from 4 October 1999 to 31 March 2000.

Figures are rounded to the nearest £1000 and all comparative figures were zero.

# South Liverpool Housing Limited

## Notes to the accounts for the year ended 31 March 2000

### 1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements.

#### Basis of Accounting

The Financial Statements of the Company are prepared under the historical cost convention in accordance with applicable accounting standards and the 1999 Statement of Recommended Practice for Accounting by Registered Social Landlords. The financial statements comply with the Accounting Requirements for Registered Social Landlords General Determination 1997 & 1998.

#### Turnover

Turnover comprises rental income received in the year; other services included at the invoiced value of goods and services supplied in the year; and revenue grants.

#### Basis of Consolidation

The group financial statements consolidate the financial statements of the Company and its subsidiary at 31 March 2000.

#### Depreciation of Housing Properties

Freehold land is not depreciated. Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciation amount is arrived at on the basis of original cost, less Social Housing Grant, and other grants less residual value (being the actual or estimated open market value of the land at the date of purchase). The Company's housing properties are depreciated at the following rates from 1 April 1999.

Houses	2% per annum
Flats	2% per annum

#### Impairment

Houses built since 1980 which are depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard No 11 and the 1999 SORP, subject to impairment reviews annually. Other assets will be reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of recognised gains and losses.

## **South Liverpool Housing Limited**

### **Notes to the accounts for the year ended 31 March 2000 (Continued)**

#### **Social Housing Grant**

Social Housing Grant (SHG) is receivable from the Housing Corporation and is utilised to reduce the capital costs of housing properties. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due from the Housing Corporation or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Housing Corporation. SHG released on sale of a property is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in Creditors.

SHG shown in the accounts solely comprises of ERCF grant received from the Housing Corporation to be spent on capital improvements, regeneration activities and environmental expenditure

#### **Other tangible fixed assets**

These assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic life of the asset to its expected residual value.

The expected economic lives of assets are as follows:

Office Premises	-	50 years
Fixtures and Fittings	-	3 years
Computer Equipment	-	3 years
Commercial Vehicles	-	5 years

The Company's Accounting and Housing Management Systems and Telephone System costs are being depreciated over 12 months. It is anticipated that these systems will be changed as part of the sourcing of a new Housing Management System and the production and implementation of the Company's post transfer Information Systems Strategy.

#### **Capitalisation of Major Repairs**

The Company's policy is to capitalise those major repairs that are decreed to be improvements and therefore enhance the value of the property.



## **South Liverpool Housing Limited**

### **Notes to the accounts for the year ended 31 March 2000 (Continued)**

#### **Pension Costs**

Retirement benefits to employees of the Company are provided by the Merseyside Pension Fund for employees who were members prior to 4 October 1999. For employees after 4 October 1999, retirement benefits are provided by the Pensions Trust.

Both schemes are defined benefit schemes, which are externally funded, and contracted out of the State Earnings Related Pension Scheme.

Contributions to the schemes are charged to the Income and Expenditure Account so as to spread the cost of pensions over employee's working lives with the Company in such a way that the pension cost is a substantially level percentage of current and future pensionable pay.

The contributions are determined by qualified actuaries on the basis of regular valuations using the protected unit method.

#### **Provisions**

The Company's policy is to provide for material liabilities and charges as soon as possible and reflect these within the Financial Statements.

#### **Investments**

The value of current investments is shown within the Financial Statements at the level of cost or net realisable value.

# South Liverpool Housing Limited

## 2. Turnover, Operating Costs and operating deficit

	<u>Group and Company</u>		
	<u>Turnover</u>	<u>Operating Costs</u>	<u>Operating Surplus / (Deficit)</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Income & Expenditure from Lettings	3,987	4,098	(111)
Other income & expenditure	43	43	0
	<u>4,030</u>	<u>4,141</u>	<u>(111)</u>

Other income and expenditure relates to regeneration (income £39,000, expenditure £39,000) and rental of garages (income £4,000 and expenditure £4,000)

## 3. Turnover, Operating Costs and Operating Deficit on Lettings

	<u>Group &amp; Company</u>
<u>Income from Lettings</u>	<u>£000</u>
Rent receivable net of service charges	4,572
Service Charges Receivable	13
<b>Gross Rents Receivable</b>	<u><b>4,585</b></u>
Less: rent losses from voids	598
<b>Net rents receivable</b>	<u><b>3,987</b></u>
<b>Total Income from Lettings</b>	<u><b>3,987</b></u>
<u><b>Expenditure on Lettings</b></u>	
Services	13
Management	605
Routine Maintenance	2,434
Major repairs expenditure	930
Rent Losses from bad debts	116
<b>Total Expenditure on lettings</b>	<u><b>4,098</b></u>
<b>Operating deficit on lettings</b>	<u><b>(111)</b></u>

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## In respect of Service Charges on General Needs Accommodation

	<u>Group &amp; Company</u>
	<u>£000</u>
Payable by those eligible for Housing Benefit	10
Payable by those not eligible for Housing Benefit	3
	<u>13</u>

Service Charges relate mainly to the provision of Community Alarm Services

## Average Assured Tenancy Rent

	<u>Group &amp; Company</u>
	<u>£.p</u>
Average weekly rent	40.23

Percentage increases from previous years

See note below

The Company adopted rent levels that were charged by the City Council, to all of its existing tenants at the date of transfer. Property lettings to new tenants after the date of transfer are charged at higher levels than those charged to existing tenants. There is no comparative information for the previous year in respect of SLH tenancies as the Company only commenced trading on 4 October 1999.

## 4. Changes in the number of units during the year

	<u>Group &amp; Company</u>		
	<u>General Housing Owned</u>	<u>General Housing Managed</u>	<u>Total</u>
At 1 April 1999	0	0	0
Transferred on 4 October 1999	4377	3	4380
Less Right to Buy Sales to 31 March 2000	(19)	-	(19)
At end of year	<u>4358</u>	<u>3</u>	<u>4361</u>

## 5. Surplus on the Sale of Fixed Assets

	<u>Group &amp; Company</u>
	<u>£000</u>
Sale Proceeds	301
Less: Attributable Costs	(8)
Surplus	<u>293</u>

The sale proceeds relate to the sale of 19 properties under right to buy legislation.

## South Liverpool Housing Limited

### 6. Interest Receivable and other Income

	<u>Group &amp; Company</u> <u>£000</u>
Bank Interest	<u>514</u>

### 7. Interest Payable and Similar Charges

	<u>Group &amp; Company</u> <u>£000</u>
Bank account charges	1
Loan facility commitment fees	27
	<u>28</u>

### 8. Surplus on Ordinary Activities before Taxation

	<u>Group &amp; Company</u> <u>£000</u>
This statement is after charging	
Depreciation on Owned Assets	71
Auditors Remuneration (inc.VAT)	
In respect as Auditors	11
In respect of other services	22

### 9. Board Members and Executive Officers.

No fees were paid to the Board Members during the year. Expenses paid during the year to Board Members amounted to £66. The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £67,200 (Annual Equivalent).

None of the Board Members received any emoluments

The annualised equivalent emoluments of the Executive Officers, excluding pension contributions were as follows :

	<u>£</u>
Chief Executive	67,200
Director of Housing	56,000
Director of Development	56,000
Director of Finance	44,800
Assistant Director	37,000



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Additionally the Director of Finance received the sum of £8,000 towards relocation expenses during the year.

The annualised equivalent emoluments of the Executive Officers, excluding pension contributions were in the following ranges:

	<u>Number</u>
£30,001 - £40,000	1
£50,001 - £60,000	3
£60,001 - £70,000	1

(Includes relocation expenses reimbursed to the Director of Finance).

The emoluments of the executive officers are shown as annual equivalents due to the fact that the first trading period is only 6 months.

The Chief Executive is not a member of either of the Company's pension schemes.

### 10. Group and Company Employee Information.

The average number of persons employed during the 6 months trading period, expressed as full time equivalents (F.T.E.) was:

	<u>Group &amp; Company</u> <u>F.T.E.</u>
Administration	10
Development (inc. Repairs and Improvements)	15
Housing	29
Regeneration activities	2
	<u>56</u>

The aggregate payroll costs of those employed was as follows:

	<u>Group &amp; Company</u> <u>£000</u>
Wages and salaries	556
Social Security costs	44
Other pension costs	63
	<u>663</u>

### 11. Taxation

The taxation charge for the year is nil.



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## 12. Tangible Fixed Assets Group & Company

	<u>Rented Stock</u>	<u>Premises</u>	<u>Computer Hardware</u>	<u>Computer Software</u>	<u>Fixtures &amp; Fittings</u>	<u>Plant &amp; Equipment</u>	<u>Telephone System</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Cost</u>								
At 1 April 1999	0	0	0	0	0	0	0	0
Additions	550	160	134	76	16	3	18	957
Disposals	0	0	0	0	0	0	0	0
At 31 March 2000	<u>550</u>	<u>160</u>	<u>134</u>	<u>76</u>	<u>16</u>	<u>3</u>	<u>18</u>	<u>957</u>
<u>Depreciation</u>								
At 1 April 1999	0	0	0	0	0	0	0	0
Charge For Year	0	2	19	37	3	1	9	71
Eliminated In Respect of Disposals	0	0	0	0	0	0	0	0
At 31 March 2000	<u>0</u>	<u>2</u>	<u>19</u>	<u>37</u>	<u>3</u>	<u>1</u>	<u>9</u>	<u>71</u>
Net Book Value at 31 March 2000 (Before Grants).	550	158	115	39	13	2	9	886
Social Housing Grant	550	0	0	0	0	0	0	550
Net Book Value at 31 March 2000	<u>0</u>	<u>158</u>	<u>115</u>	<u>39</u>	<u>13</u>	<u>2</u>	<u>9</u>	<u>336</u>



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## 13. Debtors

	<u>Group &amp; Company</u> <u>as at</u> <u>31 March 2000</u> <u>£000</u>
<u>Amounts receivable within one year:</u>	
Arrears for Rent and Service Charges	1,606
Less: Provision for Bad Debts	(1,156)
	<hr/> 450
Other Debtors	60
Prepayments and Accrued Income	376
	<hr/> 886

The net rent arrears figure of £1,606,000 (£450,000 net) does not include £107,000 in respect of Housing Benefit paid to the Company on 1 April 2000 but relating to March 2000. This sum has been included within the Accrued Income Figure of £376,000.

## 14. Current Asset Investments

	<u>Group as at</u> <u>31 March 2000</u> <u>£000</u>	<u>Company</u> <u>As at 31 March 2000</u> <u>£000</u>
Short Term Bank Deposits	<hr/> 22,195	<hr/> 21,695

## South Liverpool Housing Limited

### 15. Creditors

	<u>Group</u> <u>as at 31 March 2000</u> <u>£000</u>	<u>Company</u> <u>as at 31 March 2000</u> <u>£000</u>
Amounts falling due within one year:		
SHG in advance	6,700	6,700
Other Taxation and Social Security	44	44
Other Creditors	35	35
Accruals and Deferred Income	1,991	2,141
	<u>8,770</u>	<u>8,920</u>
Amounts Falling due after more than one year		
SHG in advance	<u>14,166</u>	<u>14,166</u>

### 16. Housing Loans

Housing loans from financial institutions are secured by specific charges on the Company's housing properties. The Company has a loan facility of £38 million and at 31 March 2000, this facility was undrawn.

The Company has entered into a number of future long-term loan commitments and fixed rates commencing on future dates as follows;

£7 million commencing on 31 March 2003 for a term of 20 years

£7 million commencing on 31 March 2004 for a term of 15 years

£2 million commencing on 31 March 2005 for a term of 10 years

### 17. Deferred Taxation

There is no deferred tax provided for in the accounting period.

There is a deferred tax asset unprovided of approximately £11,000.

### 18. Reserves

	<u>Group</u> <u>as at 31 March 2000</u> <u>£000</u>	<u>Company</u> <u>as at 31 March 2000</u> <u>£000</u>
At beginning of year	0	0
Surplus for year	668	18
At end of year	<u>668</u>	<u>18</u>

# South Liverpool Housing Limited

## 19 a) Reconciliation of operating profit to net cash inflow from operating activities

	<u>Group</u> £ 000	<u>Company</u> £ 000
Operating profit	(111)	(111)
Depreciation	71	71
Increase in debtors	(567)	(567)
Increase in creditors	1,375	1,375
Release of SHG to income	(39)	(39)
Net cash inflow from operating activities	<u>729</u>	<u>729</u>

## b) Reconciliation of net cash flow to movement in net debt

	<u>Group</u> £ 000	<u>Company</u> £ 000
Increase in cash in period	187	187
Cash flow from increase in liquid resources	<u>22,195</u>	<u>21,695</u>

## Change in net debt

Net debt at 1 April 1999	-	-
Net debt at 31 March 2000	<u>22,382</u>	<u>21,882</u>

## c) Analysis of changes in net debt Group

	<u>1 April</u> £000	<u>Cash flow</u> £000	<u>31 March</u> £000
Cash at bank and in hand	-	187	187
Current asset investment	-	22,195	22,195
Change in cash	-	<u>22,382</u>	<u>22,382</u>

## Analysis of changes in net debt Company

	<u>1 April</u> £000	<u>Cash flow</u> £000	<u>31 March</u> £000
Cash at bank and in hand	-	187	187
Current asset investment	-	21,695	21,695
Change in cash	-	<u>21,882</u>	<u>21,882</u>

## South Liverpool Housing Limited

### 20. Pension Obligations

The Group operates two defined benefit schemes for salaried staff, the assets of which are held in separate trustee administered funds.

#### The Merseyside Pension Fund.

The actuarial valuation was performed by qualified actuary using the "projected unit" method. The most recent formal valuation of the scheme was at 31 March 1998. The actuarial value of the scheme's assets at that date was £2,570m. The main actuarial assumptions underlying this valuation were as follows: -

	<u>Past Service Liabilities</u>	<u>Future Service Liabilities</u>
a) Investment return	6.3%pa	7.0%pa
b) Earnings growth	3.7%pa	4.0%pa
c) Price inflation	2.7%pa	3.0%pa

Employee contribution rates were 6% for manual and non-manual employees employed after 31/03/1998 and, 5% for the 3 manual workers employed before this date. The employer contribution rate was 15.7% applying to 35 employees.

#### The Pension Trust

The pension fund has been assessed in accordance with the advice of a qualified actuary using the projected unit method of funding in a review of the scheme as at 30 September 1996.

A formal valuation was conducted as at 31 March 2000. This valuation will not be approved or signed off until September 2000.

The actuarial valuation of the schemes assets at 31 March 1996 was £296.86m (market value £328.39m), revealing an actuarial surplus of £29.12m (10.9% of liabilities). The surplus is being used to abate the contributions of existing employers to 9.5% of pensionable salaries until September 2009.

The main actuarial assumptions underlying that valuation were as follows: -

- a) Rate of return on investments 9% per annum.
- b) Rate of salary increases 6.5% per annum.
- c) Rate of pension increases 4.5% per annum.
- d) Rate of dividend growth 4.5% per annum.

The employee contribution rate is variable dependant on age.

The employer contribution rate was 10.6% applying to 7 employees.

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### 21. Financial Commitments

Capital expenditure commitments are as follows:

	<u>Group</u> <u>2000</u> <u>£,000</u>
Expenditure contracted for but not provided in the accounts	1,428
Expenditure authorised by the Board but not contracted	5,417
	<u>6,845</u>

Commitments relate to the improvement of existing properties and the acquisition of other fixed assets.

### 22. Operating Lease Commitments

The Company has no commitments under non-cancellable operating leases

### 23. Related Parties

**Tenant Board Members** - The Company has 5 Tenant Board Members. It is the Company's policy that Tenant Board Members tenancies and tenancy agreements are on normal Company terms and they are not able to use their position to their advantage.

**Local Authority Service and Agency Agreements** - The Company has entered into a number of agreements with Liverpool City Council to provide services to the Company for agreed fees. These services are expected to be competitively tendered or taken in-house by the Company where possible during the next accounting period. The major services provided are payroll services, rent accounting and collection and the provision of IT services in respect of the Councils Housing Management System.