

**Leazes Homes Limited**

**(a company limited by guarantee and not having a share capital)**

**Report and Financial Statements**

**For the year ended 31 March 2015**

**Charity Number: 1133627**

**Company Number: 6888341**

**HCA Registration Number: 4633**

## Reference and Administrative Details

### Corporate Information

#### Trustees, Company Secretary and Advisors

##### Trustees

D W Midgley	Chair
C Tweedie	Vice Chair
C Waddell	
M E Reynolds	
M Myers	Resigned 4 September 2014
R Higgins	Resigned 4 September 2014
J Common	Resigned 12 January 2015
M Talbot	Appointed 4 September 2014
V Dunn	Appointed 4 September 2014

**Charity number** 1133627

**Company Number** 6888341

**HCA Registration Number** 4633

**Company Secretary** Joanne Noble-Nesbitt (resigned 2 June 2014)  
Lisa Forrest (appointed 3 June 2014 and resigned 4 September 2014)  
Jill Davison (appointed 4 September 2014)

**Registered Office** YHN House  
Benton Park Road  
Newcastle upon Tyne  
NE7 7LX

**Auditors** Ernst & Young LLP  
Citygate, St James' Boulevard  
Newcastle upon Tyne  
NE1 4JD

**Bankers** Natwest  
16 Northumberland Street  
Newcastle upon Tyne  
NE1 7EL

**Solicitors** Mr J Softly  
Chief Legal Officer, Legal Services  
Civic Centre

**Charity number**

1133627

Barras Bridge  
Newcastle upon Tyne  
NE1 8PR

## **Structure, Governance and Management and Objectives and Activities**

### **Principal business**

The principal activity of the Company is the provision of high quality, affordable accommodation to people in need who reside in the City of Newcastle upon Tyne.

As at 31 March 2015, the Company had 411 units in stock comprised of 281 new-build properties and 130 acquired properties, of these 319 are general housing including shared ownership, 24 properties for older people, 64 supported properties and 4 properties leased to Newcastle City Council. There are 147 units under construction. The Company entered into a management agreement with Your Homes Newcastle ('YHN') on 1 January 2015 under which YHN provide a range of housing management services to Leazes Homes tenants.

### **Organisational structure**

Leazes Homes (LH) is a company limited by guarantee with charitable status. It is governed by a Board of Trustees who are also the members of the Company. The Trustees are responsible for directing the vision and strategic direction of the Company. Further details about the Trustees can be found on page 15, within the Trustees' Report.

The day to day management of the Company is delegated to an Executive Management Team which consists of the Managing Director and Director of Finance. Along with the Company Secretary, these three roles are staffed by employees from YHN who are seconded to the Company to provide a range of management services. The Executive Management Team manages the business in accordance with the Scheme of Delegation and the Financial Regulations.

YHN provides a range of housing management services to Leazes Homes tenants. In order to provide assurance to the Trustees that the services being provided are of the required standard, YHN provide performance information to the Trustees on a quarterly basis. YHN's Director of Tenancy Services also attends Trustee meetings to present the performance report and to answer any questions raised by the Trustees.

### **Governing Document**

Leazes Homes Limited is a company limited by guarantee and was incorporated on 27 April 2009. The Company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. The Company is registered with the Charity Commission and is also registered with the Homes and Communities Agency.

## **Structure, Governance and Management and Objectives and Activities (continued)**

### **Organisational structure (continued)**

In the event of the Company being wound up members are required to contribute an amount not exceeding £10.

The Trustees are responsible for the governance, strategy and objectives of the Company. The Good Governance Standard for Public Service and the NHF Excellence in Governance Code are the best practice guides which have been used to underpin LH's governance arrangements. The Company is supported by YHN, who provide professional expertise and management as required through a Management Agreement that is monitored quarterly.

### Recruitment and Appointment of Trustees

The directors of the Company are also charity trustees for the purposes of charity law and under the Company's Articles of Association are known as Trustees.

The Articles of Association state that the Trustees shall consist of at least four and not more than seven individuals; made up of:

- One Trustee nominated by Your Homes Newcastle (known as 'the ALMO Trustee')
- Two individuals nominated by Newcastle City Council (known as 'the Council Trustees'); and
- Four individual trustees (known as 'the Ordinary Trustees').

The Ordinary Trustees are appointed by the members. Ordinary Trustees can also be appointed by the existing Trustees, either to fill a casual vacancy or as an addition to the existing Trustees, although the total number of Trustees cannot exceed the number specified in the Articles.

The ALMO Trustee is appointed by Your Homes Newcastle Limited ('YHN') to serve for such period of office as shall be confirmed by YHN.

The Council Trustees are appointed by Newcastle City Council ('the Council') to serve for such period of office as shall be confirmed by the Council. One of the Council Trustees must be an existing Council-nominated member of the Council and the other Council Trustee must be an existing Council-nominated Board Member of YHN.

One third of the Ordinary Trustees must retire at each Annual General Meeting. Christine Tweedie will retire by rotation at the Annual General Meeting in September 2015 and, being eligible, will offer herself for re-election.

## **Structure, Governance and Management and Objectives and Activities (continued)**

### **Organisational structure (continued)**

#### Trustee Induction and Training

All new Trustees receive training to brief them on their obligations under charity and company law, the Charity Commission guidance on public benefit, the content of the Memorandum and Articles of Association, the decision-making processes, the business plan and recent financial performance of the Company. Training is provided to all Trustees throughout the year to ensure they continue to meet all legal and statutory requirements. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

#### Audit Committee

The Company has an Audit Committee which currently meets twice a year. The purpose of the Audit Committee is to make sure that the Company's internal financial control systems and risk management systems are effective and meet regulatory requirements.

The Audit Committee has a membership of two Ordinary Trustees and an external independent professional who chairs the Committee. This helps the Company to identify and assess potential risks within the business and develop appropriate controls and systems which help to reduce those risks to an acceptable level.

### **Our Aims and Objectives**

The principal objects of the Company are:

- to provide social housing or hostels or other residential accommodation and any associated amenities for persons in necessitous circumstances upon terms appropriate to their means;
- to provide for aged, disabled (whether mentally or physically) or chronically sick persons in need thereof houses or hostels or other residential accommodation and any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons;
- to provide services, advice or assistance upon terms appropriate to their means to aged, disabled (whether mentally or physically) or chronically sick persons or other persons in necessitous circumstances in need thereof and providing any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons;

## **Structure, Governance and Management and Objectives and Activities (continued)**

### **Our Aims and Objectives (continued)**

- the provision of recreation or other leisure facilities in the interest of social welfare with the object of improving the conditions of life for the residents of the Area of Benefit (being the City of Newcastle upon Tyne);
- the relief of poverty amongst the residents of Newcastle upon Tyne;
- the advancement of education, training or retraining, particularly among unemployed people and providing unemployed people with work experience; and
- the maintenance, improvement or provision of public amenities for the public benefit in the interests of regeneration in areas of social and economic deprivation in which the Company owns or manages housing stock.

The strategic aims of the Company are:

- To achieve the charitable objects of the charity by:
  - Providing high quality affordable homes and services, including support services, for people in need; and
  - Supporting education, training or retraining, particularly among unemployed people.
- The provision of new opportunities for people and to build communities for the future.
- Ensure there are more affordable homes available in the City of Newcastle upon Tyne.

The strategic objectives of the Company are to:

- To develop an operational model which enables the efficient development of new social housing;
- To become a preferred partner of related organisations in the social housing field;
- To be a landlord of choice for social housing tenants primarily in the north east; and
- To develop a specific focus on special needs developments.

## **Structure, Governance and Management and Objectives and Activities (continued)**

### **Public Benefit**

The Trustees regularly review and considers the Company's aims and objectives. This is to ensure that they are being achieved and to assess how the Company's activities benefit those residing in Newcastle upon Tyne. The Trustees considered guidance contained within the Charity Commission's general guidance on public benefit when defining its aims and objectives and continue to consider how its activities will benefit the public.

The Trustees confirm that the Company's objectives fully meet the public benefit test and that all activities of the Company described in the report are undertaken in pursuit of its aims.

Further information about the Company's public benefits are set out in the Review of the Year section below.

### **Value for Money**

The Company is committed to delivering value for money for its tenants. As the Company has no employees and buys in all of its services, the focus of achieving value for money lies in robust procurement practices and contract management.



## **Strategic Report**

The Trustees of Leazes Homes Limited ('the Company') present their Strategic Report for the year ended 31 March 2015.

### **Review of the Year**

#### Provision of affordable homes

During the financial year, the Company added a further 47 units to its property portfolio. The Company now owns and manages 411 operational units providing much needed affordable housing across Newcastle upon Tyne as at March 2015.

#### Employment and Training Opportunities

The Company is proud of the range of employment and training opportunities it provides young people. During the 2011-15 Affordable Homes Programme period a total of 101 apprenticeships were created or safeguarded in conjunction with Leazes Homes' development partners.

#### Adapting to the Welfare Reform Act

On 1 April 2013 provisions of the Welfare Reform Act 2012 relating to housing benefit came into force. The changes included an under occupancy charge which reduced the amount of benefit paid to claimants if they were deemed to have too much living space in the property they were renting. In addition there have been significant changes to the benefits system with the introduction of Universal Credit.

The Trustees received regular reports outlining the consequences of the under occupancy charge on Leazes Homes tenants and the business, along with steps taken to mitigate against the financial risk and how the Company would respond to the challenges of Welfare Reform. In addition the Trustees are receiving updates on the introduction of Universal Credit.

YHN, who provide housing management services on behalf of Leazes Homes, undertook a number of activities during the financial year to prepare and support tenants for the introduction of the under occupancy charge. The support provided to Leazes Homes tenants included inviting them to attend awareness raising events, helping tenants to move into smaller accommodation to reduce the effects of the under occupancy charge and helping tenants access Discretionary Housing Payments. YHN have also established a project team to support the introduction of Universal Credit focusing on the areas of Tenancy Management, Service Delivery, Communications and Customer Involvement, Staff Training and Development, Digital Inclusion and Employability

## Strategic Report (continued)

### Future Developments

The Company's principal objective is the provision of affordable housing across Newcastle upon Tyne. 2015/16 will be an exciting year for the business as its new build programme continues to gather momentum. 114 new units will be added during the year which will include:

- 40 units at Trevelyan Court providing purpose built accommodation for older people;
- 22 units at Harehills;
- The renovation of three park lodges across Newcastle upon Tyne and a former hostel resulting in the creation of 14 family homes; and
- 38 units at Newlyn Road providing purpose built accommodation for older people.

In addition a further 94 units will start on site at the following schemes:-

- 42 units at IRDL, Fossway, Byker, Newcastle upon Tyne providing purpose build accommodation for older people;
- 21 units at Springfield, Blakelaw, Newcastle upon Tyne providing purpose built supported housing and housing for older people; and
- 31 units in Dinnington, Newcastle upon Tyne providing purpose built accommodation for older people.

The Company and its Trustees are committed to providing benefits to communities through its activities. Training and employment opportunities will continue to be offered and as the Company looks to increase its new build programme more opportunities will be provided. These opportunities will again be delivered in conjunction with Leazes Homes' construction and development partners.

The Company is looking to expand its community engagement work and has developed a programme of activities including plans for an inaugural inter-generational summer party. The Company's community engagement programme will help Leazes Homes strengthen relationships with its tenants as well as helping to improve their quality of life.

The Company was successful in an application to the Homes and Communities Agency's 2015/18 Affordable Homes Programme to build a variety of specialist and general needs accommodation.

## **Strategic Report (continued)**

### **Financial Review**

#### Principal funding sources

The principal funding sources for the Company are the receipt of rental and service charge income from tenants, loans from Newcastle City Council and Royal Bank of Scotland as well as grants from the Homes and Communities Agency and Newcastle City Council.

#### Investment Policy

Surplus cash is invested with Newcastle City Council. During 2014-15 returns of 0.50% per year were receivable against amounts deposited.

#### Reserves Policy

Reserves are required to bridge the gap between expenditure and income and to cover for unplanned events. The Trustees consider that the ideal level of reserves for the Company as at 31 March 2015 would be £462,000.

The Company has a strong balance sheet and as at 31 March 2015 had reserves of £532,000.

### **Financial Risk Management Policy**

The Company's principal financial instrument comprises cash, short term investments and borrowings. Other financial assets and liabilities, such as rent debtors and related party balances, arise directly from the Company's operating and financing activities.

The main risks associated with the Company's financial assets and liabilities are set out below. The Company does not undertake any hedging activity.

#### Interest Rate Risk

Financial assets, liabilities, interest income and cash flows can be affected by movements in interest rates. In order to mitigate exposure to interest rate fluctuation, the Company has a target of 80-90% fixed long term borrowings until maturity of the loans. This reflects and matches the long term nature of the Company's fixed asset base and regular rental income arising from it. All of the outstanding loan borrowings at 31 March 2015 are on fixed rate basis. The Trustees do not consider there to be any significant exposure.

#### Price Risk

There is no significant exposure to changes in the carrying value of financial liabilities.

## Strategic Report (continued)

### Credit Risk

The Company's policy is aimed at minimising such losses with a key focus on rental arrears collection in order to minimise bad debt exposure. Individual exposures and overdue debts are monitored to ensure that the Company's exposure to bad debts is not significant.

### Liquidity Risk and Future Borrowings

The Company is not exposed to liquidity risks as its liabilities are met directly by Newcastle City Council on its behalf.

As at 31 March 2015, the Company had £16,374,000 of loan funding from Newcastle City Council (2014: £13,606,000) with the earliest maturity in 2026. The company also entered into a £5m loan facility with RBS of which £2.2m was drawn at 31 March 2015. It is anticipated that £9.4m will be drawn during 2015-16 from existing loan facilities, of which £2.8m is expected to be drawn down from the loan facility with RBS with the remainder £6.6m from NCC.

### Foreign Currency Risk

The Company does not engage in any foreign currency transactions. All its activities take place within the United Kingdom and consequently, the Company is not exposed to any foreign currency risk.

## **Risk Management**

The Company has a strategic risk register which is reviewed annually by the Audit Committee. Where appropriate, systems or procedures have been established to mitigate against the risks which the charity faces. The Company also has implemented procedures to minimise any potential impact on the charity should such risks materialise.

### ***Principal Risks and Uncertainties***

The most significant risks facing the Company as at 31 March 2015 were:

- 1 Inability to let properties  
If the Company were unable to let properties this would result in reduced income and an inability to service debt. The following actions are taken to mitigate against the risk:
  - Business cases are developed for all new build activity which demonstrates that there is a rental market for the properties.

## Strategic Report (continued)

- Contract for housing management services with YHN who advertise and manage properties on behalf of the Company. This ensures that properties are advertised widely across the City of Newcastle and that existing tenancies are effectively managed; and
- Following the introduction of Welfare Reform, YHN provided a wide range of support activities to help tenants understand the implications of Welfare Reform and provide support to help them maintain tenancies.

### 2 Changes introduced through Welfare Reform affect the financial viability Leazes Homes

Tenants affected by the under occupancy charge and benefit changes may be unable to pay their rent which would result in a loss of income to the Company. The following actions are taken to mitigate against the risk.

- Development and delivery of a Leazes Homes project plan to respond to Welfare Reform;
- Households affected by Welfare Reform identified and completion of visits to at risk households;
- Awareness and communication exercises undertaken to inform tenants of the potential effects of Welfare Reform;
- Review of contingent reserves; and
- Interventions in rent arrears escalation process when sole purpose for arrears is because of effects of introduction of under occupancy charge.

### 3 Failure to plan for management succession disrupts delivery and service provision

As the Company has no employees it relies on secondment agreements with YHN for its Executive Management Team. Any changes to the Executive Management Team, who have extensive knowledge of the Company's affairs, could affect the delivery of the Company's business and development plans.

## **Strategic Report (continued)**

The following actions are taken to mitigate against the risk.

- Implementation of a Management Succession Plan;
- Review of Secondment Agreements with YHN for business critical roles including Managing Director and Head of Finance; and
- Staff training and development to ensure secondees have the necessary training to be able to fulfil their roles.

The Strategic' Report was approved by the Trustees on 5 October 2015 and signed on its behalf by:

D W Midgley  
Chair

Jill Davison  
Company Secretary

## **Trustees' Report**

A list of Leazes Homes' Trustees for the year ended 31 March 2015 is shown at page 2.

The Trustees present their Report and Financial Statements for the year ended 31 March 2015.

The company has chosen in accordance with Section 414C(ii) of the Companies Act 2006 to set out in the company strategic report the following which the directors believe to be of strategic importance:

- Review of the business
- Future developments
- Financial risk management policy

### **Policy on the Employment, Training and Development of Disabled People**

The Trustees have approved an Equality and Diversity Policy that sets out the Company's objectives relating to the employment, service delivery, working with other organisations and involving the community which recognises and seeks to address the inequalities and disadvantages that many communities, including disabled people, face in society.

### **Going Concern**

Having made enquiries, the Trustees consider that the Company's current and future prospects and its availability of financing are adequate to enable it to continue business for the foreseeable future and that they are also satisfied that the Company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

The Trustees consider that a robust going concern assessment process was undertaken and the results discussed and challenged formally at the Audit Committee on 18 August 2015. At that meeting the Audit Committee recommended that the Trustees approve the annual accounts.

The process for determining whether or not the Company is a going concern involved a number of considerations including an assessment of the financial budgets and forecasts for the Company up to 31 March 2045. This period is considered to be 'foreseeable future' as required for this ongoing assessment only and is in accordance with company law and accounting rules.

The assessment also considered the solvency and liquidity risks involved in delivering the financial forecasts for the foreseeable future. Further information on the Company's risks can be found on page 10. There were no major changes to the Company's significant liquidity and solvency risks in the year.

For this reason, the Trustees continue to adopt the going concern basis of preparation for these financial statements.

## **Trustees' Report (continued)**

### **Statement of Trustees' Responsibilities**

The Trustees are responsible for preparing the Strategic Report, the Trustees' Report and the financial statements in accordance with applicable United Kingdom Law and United Kingdom Generally Accepted Accounting Practice.

Regulation requires the Trustees 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 that year. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006, Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, bribery and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Disclosure of information to auditors**

So far as each person who was a Trustee at the date of approving this report is aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Trustees and the auditor, each Trustee has taken all steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.



## **Trustees' Report (continued)**

### **Related Parties**

None of the Trustees receive remuneration or other benefit from their work with the Company. Any connection between a Trustee or member of the Executive Management Team with a contractor, supplier or other third party must be disclosed to the Board of Trustees.

YHN, with whom there is a Management Agreement, holds 1/7<sup>th</sup> of the membership of the Company through the YHN Trustee. Newcastle City Council holds 2/7<sup>th</sup> of the membership of the Company through the Council Trustees.

### **Auditors**

A resolution for the re-appointment of Ernst & Young LLP as auditors of the Company is to be proposed at the Annual General Meeting.

The Trustees' Report was approved by the Trustees on 5 October 2015 and signed on its behalf by:

D W Midgley  
Chair

Jill Davison  
Company Secretary

## **Independent auditors' report**

### **to the members of Leazes Homes Limited**

We have audited the financial statements of Leazes Homes Limited for the year ended 31 March 2015 which comprise the Income and Expenditure Account, Balance Sheet, Statement of cash flows and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 the board and the auditor**

As explained more fully in the Statement of Board's Responsibilities set out on page 15, the board is responsible for the preparation of financial statements which 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including the Co-operative and Community Benefit Societies Act 2014, Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012); 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 Strategic Report and the Trustees' 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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Caroline Mulley (Senior statutory auditor)  
For and on behalf of Ernst & Young LLP,  
Statutory Auditor  
Newcastle upon Tyne

Date

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

## Income and expenditure account

For the year ended 31 March 2015

		2015	2014
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover</b>	4	2,396	1,891
Operating costs	5	(1,512)	(1,238)
<b>Operating profit</b>		884	653
Interest receivable and other Income	6	13	15
Interest payable and similar charges	7	(633)	(540)
<b>Profit on ordinary activities before and after taxation</b>	14	264	128

All amounts relate to continuing activities.

There have been no recognised gains and losses during either period, other than those shown in the income and expenditure account, therefore no Statement of Total Recognised Gains and Losses has been prepared.

**Balance sheet**

at 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Fixed Assets</b>			
Tangible assets – depreciated cost	8	41,569	30,568
Less: Social housing capital grants	8	(12,920)	(12,726)
Other public capital grants	8	(8,979)	(5,677)
		<u>19,670</u>	<u>12,165</u>
<b>Current assets</b>			
Debtors	9	254	373
Short Term Investments	10	2,518	2,537
Assets Held for Sale	11	261	261
Cash		1,252	977
		<u>4,285</u>	<u>4,148</u>
<b>Creditors: amounts falling due in less than one year</b>	12	<u>(5,851)</u>	<u>(2,917)</u>
<b>Net current (liabilities)/assets</b>		(1,566)	1,231
<b>Total assets less current liabilities</b>		18,104	13,396
<b>Creditors: amounts falling due in more than one year</b>	13	<u>(17,572)</u>	<u>(13,128)</u>
<b>Net assets</b>		<u>532</u>	<u>268</u>
<b>Capital and reserves</b>	14	<u>532</u>	<u>268</u>

These financial statements were approved by the Board and authorised for issue on 10 August 2015 and signed on its behalf by:

D W Midgley (Chair  
Secretary)

C Waddell (Member)

J Davison (Company  
Secretary)

## Statement of cash flows

for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Net cash flow from operating activities</b>	15 (i)	<b>3,989</b>	<b>1,572</b>
<b>Returns on investments and servicing of finance</b>			
Interest Received and Other Income		13	-
Interest Paid and Other Charges		(597)	(441)
<b>Net Cash Outflow from return on Investment and Servicing Activity</b>		<b>(584)</b>	<b>(441)</b>
<b>Capital Expenditure and Financial Investment</b>			
Construction of Properties		(11,792)	(7,932)
Capital Grants Received		3,791	4,478
<b>Net Cash Outflow from Capital Expenditure</b>		<b>(8,001)</b>	<b>(3,454)</b>
<b>Net Cash Outflow before Liquid Resources and Financing</b>	15(ii)	<b>(4,596)</b>	<b>(2,323)</b>
<b>Management of Liquid Resources</b>			
Decrease/(increase) in short-term deposits		19	(1,204)
<b>Net Cash inflow/(outflow) from Liquid Resources</b>		<b>19</b>	<b>(1,204)</b>
<b>Financing</b>			
Loans Advances Received net of arrangement fees		5,084	3,000
Loan Repayments		(232)	(210)
<b>Net Cash Inflow from Financing</b>		<b>4,852</b>	<b>2,790</b>
<b>Increase/(decrease) in cash</b>	15(iii)	<b>275</b>	<b>(737)</b>

## Notes to the financial statements

at 31 March 2015

### 1. Principal accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards.

A summary of the more important accounting policies is set out below.

#### ***Going Concern***

The financial statements have been prepared on the going concern basis (notwithstanding the net liabilities of £1,566,000) which the trustees believe to be appropriate for the following reasons.

The company has access to external loan borrowings of which there is a total facility of £5m, £2.2m of which was drawn at the Balance Sheet date. The remaining facility of £2.8m was drawn on 7 April 2015. This is a long term loan facility and repayments due within 12 months are not expected to be significant.

Of the net liabilities above, £1,431,000 was the net current liability with NCC. The company has an undrawn loan facility of £6.6m with NCC. NCC has indicated that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to pay its liabilities as they fall due. LH intends to draw down from this facility during 2015-16 as required.

The trustees 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. Based on the above, the trustees believe that it remains appropriate to prepare the financial statements on a going concern basis.

#### ***Accounting convention***

The financial statements have been prepared under the historical cost accounting convention modified to include the revaluation of certain land and buildings and in accordance with applicable accounting standards in the United Kingdom, the Accounting Requirements for Registered Social Landlords General Determination as amended, and the 'Statement of Recommended Practice: accounting by registered social landlords (SORP Update)', issued in 2010.

## Notes to the financial statements

at 31 March 2015

### **Turnover**

Turnover represents rental income receivable, service charge income receivable, other income from tenants and grants from local authorities.

Rent and service charges are also receivable from Newcastle City Council under operating leases for four properties at the Scrogg Road Mental Health Supported Housing Scheme. The annual rent for each property is £1, chargeable annually in advance on 25<sup>th</sup> March. Service charges of £15,000 will be due on these four leases from 2014-15 and each year thereafter, subject to review, chargeable in advance in six-monthly instalments.

### **General Reserve**

The general reserve is part of the charitable company's unrestricted funds and is freely available to spend on any of the charitable company's purposes. As a charitable company Leazes Homes will not hold excessive general reserves.

### **Designated Reserve**

A designated reserve is identified to fund specific events for the benefit of the tenants of Leazes Homes. Funds collected and relevant expenditure incurred are recorded in the income and expenditure account in the period with net movement transferred between the income and expenditure reserve and the restricted reserve at the end of each year.

### **Contingent Reserve**

Contingent reserves are set aside for the organisation to be able to react to potential future financial shocks. A judgement of the level of risk that various budget areas have is made using an expected value approach, based on general and specific economic factors effecting the organisation. A reserve is set aside to allow Leazes Homes to react if these events come to fruition. Funds are transferred into this reserve from the income and expenditure reserve to meet the agreed level set by the Leazes Homes Board.

### **Housing properties and depreciation**

Housing properties are principally properties available for rent and are stated at cost less depreciation, Social Housing Grant and other grants (where applicable). Cost includes the cost of acquiring land and buildings plus any costs incurred in bringing the asset to its working condition.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Interest is capitalised on projects under construction from the time funds are available until completion of the project.



## Notes to the financial statements

at 31 March 2015

### ***Housing properties and depreciation (continued)***

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Disabled adaptations relate to those major works and equipment installations deemed essential to bring an individual property fit for use by the tenant.

Depreciation is calculated to write off the cost or valuation of housing properties by component on a straight line basis over their useful lives of the component categories as follows:

Land	not depreciated
Structure	50 to 100 years
Major Components	15 to 60 years
Disabled adaptations	10 years
Minor components	5 years

The depreciable amount is arrived at on the basis of original cost, less proportion of SHG and other grants.

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### ***Non routine repairs expenditure***

Non routine repairs expenditure is capitalised to the extent it represents an improvement to the property, otherwise it is expensed in the year in which it is incurred.

### ***Capital grants***

Where developments have been financed wholly or partly by Social Housing Grant or other capital grants, the cost of those developments has been reduced by the amount of the grant receivable. Capital grants and donations are recognised in the financial statements on the basis of the event dates which must be reached prior to the grant becoming claimable. Where grant received is in excess of costs incurred the excess is transferred to creditors. On disposal of properties which have been financed wholly or partly by Social Housing Grant, the amount of grant not abated by the Housing Corporation is transferred to the recycled Capital Grant Fund and, if not recycled in accordance with Housing Corporation Circular F2 - 21/97, may become repayable.

## Notes to the financial statements

at 31 March 2015

### 2. Corporation taxation

As a registered charity, Leazes Homes is able to claim exemptions from corporation tax where gains are applied for charitable purposes. All gains for Leazes Homes in 2014/15 relate to furthering the charitable purposes of the organisation and are therefore exempt from Corporation Tax.

### 3. Employee information

The charitable company had no employees during the period and there are no staff costs. No remuneration was paid to the trustees of the charitable company.

### 4. Turnover, Operating Costs and Operating Surplus for the Year

	<i>Turnover</i>	<i>Operating costs</i>	<i>Operating surplus</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>2015</i>			
Income and Expenditure from lettings	1,761	(980)	781
Service Charge Income	537	(532)	5
Grant income	4	-	4
Other income	94	-	94
	<u>2,396</u>	<u>(1,512)</u>	<u>884</u>

	<i>Turnover</i>	<i>Operating costs</i>	<i>Operating surplus</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>2014</i>			
Income and Expenditure from lettings	1,447	(833)	614
Service Charge Income	440	(405)	35
Grant income	1	-	1
Other income	3	-	3
	<u>1,891</u>	<u>(1,238)</u>	<u>653</u>

## Notes to the financial statements

at 31 March 2015

### 4. Turnover, Operating Costs and Operating Surplus for the Year (continued)

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Lettings:		
Rents receivable	1,787	1,475
Service Charge Income	542	447
Rent and service charge voids	(31)	(35)
	<u>2,298</u>	<u>1,887</u>

### 5. Operating Costs

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Premises	697	612
Supplies and services	815	626
	<u>1,512</u>	<u>1,238</u>

At the end of the year accommodation in management for each class of accommodation was as follows:

	<i>2015</i>	<i>2014</i>
General housing	305	278
Sheltered housing/older persons	24	24
Supported housing	68	48
Shared ownership housing	14	14
<b>Total Properties</b>	<u><b>411</b></u>	<u><b>364</b></u>

As at 31 March 2015 there were 147 properties identified as work in progress.

The company's audit fee for the year totalled £4,750 (2014: £4,600).

### 6. Interest Receivable and Other Income

Interest receivable and other income in the year was £13,000 (2014: £15,000), this relates to investment interest gained within the year.

## Notes to the financial statements

at 31 March 2015

### 7. Interest Payable and Similar Charges

Interest payable of £633,000 was incurred during the year (2014: £540,000). This largely relates to interest on loan agreements.

### 8. Tangible Fixed Assets

2015

	<i>Land</i>	<i>Housing</i>	<i>Assets in the course of construction</i>	<i>Total</i>
<b>Cost</b>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
As at 1 April 2014	1,293	25,935	4,407	31,635
Schemes completed	-	4,326	(4,326)	-
Additions	-	5,548	6,136	11,684
As at 31 March 2015	1,293	35,809	6,217	43,319
<b>Capital Grants</b>				
As at 1 April 2014	-	14,696	3,707	18,403
Social Housing Grant	-	631	1,198	1,829
Other Public Grant	-	699	1,263	1,962
Less recognised in Income & Expenditure	-	(295)	-	(295)
As at 31 March 2015		15,731	6,168	21,899
<b>Accumulated depreciation</b>				
As at 1 April 2014	-	1,067	-	1,067
Charge for the year	-	683	-	683
As at 31 March 2015	-	1,750	-	1,750
<b>Net Book Value</b>				
As at 31 March 2015	1,293	18,328	49	19,670
As at 1 April 2014	1,293	10,172	700	12,165

## Notes to the financial statements

at 31 March 2015

### 8. Tangible Fixed Assets (continued)

2014

	<i>Land</i>	<i>Housing</i>	<i>Assets in the course of construction</i>	<i>Total</i>
<b>Cost</b>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
As at 1 April 2013	1,293	21,641	977	23,911
Schemes completed	-	972	(972)	-
Additions	-	3,322	4,402	7,724
As at 31 March 2014	1,293	25,935	4,407	31,635
<b>Capital Grants</b>				
As at 1 April 2013	-	13,486	412	13,898
SHG	-	812	1,026	1,838
Other Public Grant	-	643	2,269	2,912
Less recognised in Income & Expenditure	-	(245)	-	(245)
As at 31 March 2014	-	14,696	3,707	18,403
<b>Accumulated depreciation</b>				
As at 1 April 2013	-	471	-	471
Charge for the year	-	596	-	596
As at 31 March 2014	-	1,067	-	1,067
<b>Net Book Value</b>				
As at 31 March 2014	1,293	10,172	700	12,165
As at 1 April 2013	1,293	7,684	565	9,542

The amount of borrowing costs capitalised during the year ended 31 March 2015 was £89,000 (2014: £82,000). Borrowing costs are capitalised at a rate of 3.35% of funds drawn down.

The cost of assets used within leasing arrangements with Newcastle City Council is £288,000. These assets have incurred £1,000 of accumulated depreciation.

## Notes to the financial statements

at 31 March 2015

### 9. Debtors

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Rent and service charge arrears (net of provision)	133	92
Amounts due from Newcastle City Council	31	279
Other debtors and prepayments	90	2
	<u>254</u>	<u>373</u>

### 10. Investments

Investments amounting to £2,518,116 (2014: £2,537,000) were held with NCC at year end. This yielded a 0.50% (2014: 0.75%) interest rate and earned interest of £12,687 (2014: £15,245) in the financial year.

### 11. Assets held for sale

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Shared ownership properties	<u>261</u>	<u>261</u>

### 12. Creditors: amounts falling due in less than one year

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Amounts due to Newcastle City Council	3,980	1,667
Amounts due to Your Homes Newcastle	350	182
Accruals and deferred income	628	590
Loans	893	478
	<u>5,851</u>	<u>2,917</u>

## Notes to the financial statements

at 31 March 2015

### 13. Creditors: amounts falling due in more than one year

	2015	2014
	£'000	£'000
Loan from Newcastle City Council	15,481	13,128
Other Loans	2,091	-
	<u>17,572</u>	<u>13,128</u>

The Loans from Newcastle City Council bear interest rates of between 3.35% and 5.42%, fixed for between 15 and 30 year periods. The loans are secured against the housing assets and are repaid on an annuity basis in periods of six months or one year. Other loans bear variable interest rates on a Libor basis.

The maturities of the loans are as follows:

	2015	2014
	£'000	£'000
In one year or less, or on demand	893	478
Between one and two years	597	554
Between two and five years	1,945	1,855
In five years of more	15,030	10,719
	<u>18,465</u>	<u>13,606</u>

### 14. Reconciliation of reserves and shareholder funds

	<i>Revenue Reserves</i>	
	2015	2014
	£'000	£'000
Opening Balances as at 1 April	268	140
Profit for year	264	128
Closing Balance as at 31 March	<u>532</u>	<u>268</u>

## Notes to the financial statements

at 31 March 2015

### 15. Notes to the cash flow statement

#### i) Reconciliation of operating profit to net cash flow from operating activities

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Operating profit	884	653
Depreciation	683	596
Capital grants amortisation	(295)	(245)
Decrease/(increase) in debtors	119	(243)
Increase in creditors	2,598	811
Net cash inflow from operating activities	<u>3,989</u>	<u>1,572</u>

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

	<i>2015</i>	<i>2014</i>
	<i>£'000</i>	<i>£'000</i>
Increase/(decrease) in cash in year	275	(737)
Short term deposits	(19)	1,204
New loan advances	(5,084)	(3,000)
Repayments of Loans	232	210
Change in net debt resulting from cash flows	<u>(4,596)</u>	<u>(2,323)</u>
Net debt at start of year	<u>(10,092)</u>	<u>(7,769)</u>
Net debt at end of year	<u><u>(14,688)</u></u>	<u><u>(10,092)</u></u>



## Notes to the financial statements

at 31 March 2015

### 15. Notes to the cash flow statement (continued)

iii) Analysis of changes in net debt

	<i>At</i> <i>31 March</i> <i>2014</i> <i>£'000</i>	<i>Cash</i> <i>flows</i> <i>£'000</i>	<i>At</i> <i>31 March</i> <i>2015</i> <i>£'000</i>
Cash	977	275	1,252
Short term investments	2,537	(19)	2,518
Loans	(13,606)	(4,852)	(18,458)
Net debt	<u>(10,092)</u>	<u>(4,596)</u>	<u>(14,688)</u>

### 16. Capital commitments

As at 31 March 2015 the Company was contractually committed to delivering a further £3,705k of investment in future periods, all within the 2015-16 financial year.

### 17. Related party transactions

Leazes Homes Limited is an independent company limited by guarantee and a charitable company. It has seven Trustees who are also the members. There are four ordinary Trustees who are independent, one Trustee appointed by Your Homes Newcastle (YHN) and two Trustees appointed by Newcastle City Council (NCC).

All Leazes Homes senior management team are employees of YHN and YHN provides a housing management service to Leazes Homes. During 2014-15 transactions totalling £532k took place between Your Homes Newcastle and Leazes Homes Limited (2013-14: £585K) relating to salary recharges, provision of services to tenants and management fees. At 31 March 2015 £350k was due to YHN included within creditors (note 12) (2014: £182k).

NCC provides services to Leazes Homes. During 2014-15 transactions totalling £789k (2014 £559k) took place between NCC and Leazes Homes. At 31 March 2015 £197k was due to NCC included within creditors (note 12) (2014: £76k).

### 17. Related party transactions

## Notes to the financial statements

### at 31 March 2015

NCC makes payments to suppliers and receives cash from tenants on behalf of Leazes Homes. During the 2014-15 Leazes Homes made settlements for notional cash balances to NCC of £11,539k (2014: £5,096k). At 31 March 2015 £3,331k was due to NCC for notional cash balances (2014: £1,233k).

Leazes Homes received loans of £3m from NCC during the year, and made loan repayments to NCC of £231k. As at 31 March 2015 Leazes Homes was in receipt of loans of £16.3m from NCC (note 13). As at 31 March 2015 £454k for accrued interest was included within creditors (note 12).

NCC provides grant assistance via its Fairer Housing Unit to Leazes Homes for affordable housing schemes. During 2014-15 Leazes Homes received £1,962k from NCC in capital grants.

In addition at 31 March 2015 £13k was due from NCC included within debtors (note 9) in relation to interest receivable on short term investments.

The Trustees who are Newcastle City Council or YHN Trustees do not use their position as Trustees to gain any commercial advantage. Where conflicts do arise they are fully disclosed either in advance of a Board meeting or at such a meeting. If appropriate the NCC trustee would leave the meeting to enable the matter to be discussed in their absence thereby avoiding a conflict of interest.

### 18. Liability of members

The charitable company is a private company limited by guarantee. The liability of the members is limited and every member undertakes to contribute to the assets of the charitable company, in the event of the charitable company being wound up while he or she is a member, or within one year after he or she ceases to be a member, for the debts and liabilities of the charitable company contracted before he or she ceased to be a member and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributors among themselves, such amount as may be required not exceeding one pound.