

KIRKLEES NEIGHBOURHOOD HOUSING LIMITED

**STRATEGIC REPORT, REPORT OF THE
DIRECTORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2020**

Company Registration Number 04394471

Kirklees Neighbourhood Housing Limited
Contents of the Financial Statements for the year ended 31st March 2020

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Kirklees Neighbourhood Housing Limited

Company Information for the year ended 31st March 2020

Company Registration Number: 04394471

Registered Office:

Perseverance House
St Andrews Road
Huddersfield
HD1 6RZ

Bankers:

Barclays Bank Plc
17 Market Place
Huddersfield
HD1 2AB

Solicitors:

Kirklees Council Legal Services

Auditors:

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

Internal Auditors:

Kirklees Council Audit

Directors:

A Mansaf
A Marchington
Cllr C Pattison (Vice Chair)
Cllr E Smaje
E Croston
E Whitehead
Cllr J Taylor
P White
Mrs N Mather (Chair)
S Johnson

**Date of
Appointment/Resignation:**

Resigned: July 2019

Appointed: September 2019
Appointed: October 2019

Resigned: September 2019

Secretary:

E C Hughes

Kirklees Neighbourhood Housing Limited Strategic Report for the year ended 31st March 2020

The Directors present their strategic report.

Principal Activities

The principal activity of the company is to manage, maintain and improve the housing stock owned or managed by Kirklees Council.

Business Review

Kirklees Neighbourhood Housing Limited (“KNH”) is a Not-for-Profit organisation created by Kirklees Metropolitan Council and incorporated on 14 March 2002. KNH annually agrees a level of Management Fee with the Council intended to exactly offset the cost of our services. We will deliver quality homes in successful communities and we receive a management and maintenance fee from the council in order to deliver those services. We have a programme of planned replacements through the ‘Your Home, Your Place’ programme.

The Board has a clear focus on delivering the core objectives of the company and supporting the Council to deliver its Strategic Aims. Having implemented the restructuring following the merger with Property Services the company is now focusing on improving service delivery to its customers and communities in line with its vision and ambition. Following a review of the management of council housing in Kirklees carried out by Kirklees Council in 2019, a decision in principle was taken on 21st May 2020 to transfer the housing stock back to Kirklees Council control, subject to further consultation with its customers and stakeholders. A final decision will be taken in October.

COVID-19 is bringing massive transformation to our lives, the health and well-being of our communities, our service delivery and the nature and structure of our economy. We need to continue to deliver core services to our customers in these challenging times, which has meant that some of our original plans and ideas have been affected, but our business has transformed at a pace, and in ways, that could never have been anticipated or understood. This major event is driving a faster move to remote and agile working and a re-definition of our operating model. However, our values and mission remain solid and at the heart of every decision we are making right now, and will continue to make, in relation to ‘the new normal’.

Safety, health, and well-being are now at the centre of everyone’s lives. The home is more important than ever before, and the way we engage with our customers and communities is changed for ever. Our role is to lead the organisation through these challenging and changing times, harnessing, and supporting the goodwill and commitment of our staff, so that we can continue in our mission of providing quality homes in successful communities.

The UK and EU Parliaments ratified the Withdrawal agreement from the EU on the 31 January 2020, the UK and EU has now entered an 11-month transition period. Throughout this period the UK and the EU will start to set out plans for their new relationship. We had expected to have more clarity, in relation to Brexit by now but the devastating impact of Covid-19 has overtaken that and there remains uncertainty about how this will impact the economy in the future. Both events have led to a lack of significant government policy responses to date. The HRA business plan has been stress tested for the impact of Covid-19 and other scenarios and this will be monitored throughout the coming year.

Kirklees Neighbourhood Housing Limited
Strategic Report for the year ended 31st March 2020 (continued)
Vision, values and objectives

Vision – Quality Homes and Services in Successful Communities

Ambition – KNH will be the ‘go to’ housing and social regeneration organisation in Kirklees. It will meet the needs of tenants and residents by being the outward facing anchor organisation in communities

Our three absolute objectives are to:

1. Sustain and improve our core business.
2. Develop our new organisation and deliver excellent Housing and Property Services for the people and communities in Kirklees.
3. Develop and drive a strong culture of collective endeavour and partnerships to achieve our ambitions.

Executive team

The Board has delegated day to day management to a Chief Operating Officer, Directors and Heads of Service who are the Senior Leadership and Management Team, to control the operations of the company. The Senior Management Team meets on a regular basis and recommends policy decisions to the Board. This Senior Management Team, led by the Chief Operating Officer, is tasked by the board to ensure the effective performance and successful service delivery to our customers in line with the company’s business plan objectives.

Corporate social responsibility

The Board is committed to be a socially responsible organisation by managing its homes and services in a socially responsible way, ensuring adherence to legal and regulatory obligations and operating in line with the public service ethos on which it is founded. KNH is actively working with local communities and partners to improve the life chances of its tenants and residents. This ethos says the company will go beyond its traditional housing management role and undertake activities such as the ‘Return to Work’ programme for those tenants who are seeking to re-enter the job market, together with an enhanced apprenticeship programme, which aims to recruit, train and improve the future opportunities of a range of apprentices. This ranges from traditional building skills to new apprenticeship offers, such as marketing and communications, human resources, data analytics and a range of other opportunities. These opportunities help to provide prospects for individuals and will enhance wider community wellbeing.

KNH works with its key partner and sole shareholder Kirklees Council in furthering its objectives along with those of the company. The board is minded of the long-term requirements for housing across the borough and works in partnership with the local authority to deliver these objectives. The Housing revenue account plan is forecast over 30 years, therefore the board is constantly reminded that it needs to ensure it has a balanced long term plan.

Kirklees Neighbourhood Housing Limited
Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Directors consider that they have acted in good faith, in the way most likely to promote the success of the organisation for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act). KNH identifies its main stakeholders as: its parent company Kirklees Council; its customers, employees and suppliers. The following paragraphs summarise how the Directors have fulfilled their duties in this regard, and in doing so have regarded (amongst other matters):

Delivery of the organisation's aims is managed through an effective business planning framework aligned to the strategic objectives of Kirklees Council, where the consequences of decisions over the long term are considered. KNH receives a fee from the council to deliver management and maintenance services and a three-year operational plan drives service delivery, a five-year Neighbourhood Investment and capital plan outlines general principles for planned maintenance and growth and a Service Improvement Plan sets out key corporate tasks. These are supported by the council's thirty-year Housing Revenue Account financial plan to ensure the long-term financial viability of services to be delivered, which is stress tested against a range of scenarios and key risks. Progress against these plans is reviewed regularly, with updates being provided to the Senior Leadership Team, KNH Board and Kirklees Council. During 2019/20, Kirklees Council and the KNH Board approved the budgets to support these plans.

KNH recognises that its employees are the most important asset to the organisation. The work of the Human Resources and Organisational Development team focuses on enabling the service to increase employee engagement through the implementation of the People and OD Strategy.

KNH places relationships with its tenants and leaseholders at the heart of what it does and recognises that the success of these relationships are key to its success. Tenants are engaged in decision making and wider consultation is used to support service development and improvement. These relationships are fostered in a number of ways, including: tenant representation on the Board, a tenant scrutiny panel, who discuss and input into new policy and review policies and procedures for front line services, and which is underpinned by the tenant involvement strategy 'Get Involved'. In 2019/20 a service planning conference was held with tenants, where there was the opportunity to feed into budget priorities for 2020-21.

In relation to suppliers, KNH adopts the Kirklees Council Procurement Strategy and this outlines the strategic aims in relation to procurement. We want to ensure that our resources are spent in the most efficient way, which will be effective in delivering quality services to our customers. KNH together with Kirklees Council have recently been successful in winning the National 'Go' procurement award for project of the year for our subcontractor DPS, which is a great piece of collaborative working between KNH and Kirklees Council.

KNH recognises its role as part of the local communities in Kirklees. Quality Homes in Successful Communities is the organisation's core purpose, with decisions on how KNH can support and shape communities considered within a wide range of strategies.

As part of the Neighbourhood Investment Programme and capital plan, KNH has considered the organisation's plan to cut carbon emissions through increased energy efficiency and low carbon technologies. In order to achieve these aims, new and innovative ways to reduce consumption are planned,

Kirklees Neighbourhood Housing Limited
Strategic Report for the year ended 31st March 2020 (continued)
KNH Summary of Performance 2019/20

As an Arm's Length Management Organisation of Kirklees Council, KNH maintains the highest standards of conduct. The organisations policies and procedures are designed to comply with relevant laws and regulations, with non-financial KPIs set to monitor key areas of compliance and a range of policies around money laundering, whistle blowing, fraud and bribery exist for staff to follow in the course of their day to day duties.

The organisation has a robust approach to governance, complying with the NHF Code of Governance 2015. During the year, a number of principal decisions were made by the Board, which were material to the activities of the organisation or key stakeholder groups. In making the following principal decisions, the Board considered their responsibilities listed above, with regards s172, along with the outcomes of tenant and leaseholder engagement. These principal decisions included:

The approval of the three year revenue budget for 2020-23, which included the additional budget to pilot for twelve months the enhanced lettable standard, approval of the Neighbourhood Investment budget to support the delivery of 'Your home, Your place' and the approval of the capital budget, which included the additional resources for building new council houses. This plan supports the delivery of Kirklees Council strategic objectives; growing the housing stock portfolio and investing to protect the environment. This is supported by the 30-year Housing Revenue Account financial plan which demonstrates financial strength and stability over this period. Further engagement with customers will take place during the development of the updated plan during 2020/21, which will focus on future customer priorities.

Financial Results

The deficit before FRS102, defined benefit pension costs and tax for the year ended 31 March 2020 was £7.364m (2019: surplus of £1.097m). This is calculated by taking the deficit before tax of £11.636m, adding back the interest on net defined benefit liability of £1.062m and adding back employer contributions of £3.210m.

The income statement on page 16 shows a deficit for the year before tax of £11.636m (2019: deficit of £3.795m). This deficit includes defined benefit pension scheme adjustments as accounted for under FRS102. If we were to exclude the pension adjustments, there would be a deficit of £522k after transfer of £221k from reserves.

The pension liability of £64.064m (2019: £44.876m) as noted in the balance sheet does not represent a cash liability, but rather a long-term liability under relevant accounting standards for defined benefit schemes. The cumulative figure includes the pension liability for the employees who transferred under TUPE in October 2016.

The management fee received from Kirklees Council for the year ended 31 March 2020 was £40.86m (2019: £39.18m). At the year-end KNH held cash balances totalling £828k (2019: £3.92m).

Kirklees Neighbourhood Housing Limited
Strategic Report for the year ended 31st March 2020 (continued)
KNH Summary of Performance 2019/20

The following table shows our performance over the financial year and the previous four years.

	2015/16	2016/17	2017/18	2018/19	2019/20	2019/20
	achieved	achieved	achieved	achieved	Target	achieved
Satisfaction						
Satisfaction with services	84%	81%	82%	80%	-	71%
KNH listens and acts on views	64%	59%	74%	63%	-	56%
Satisfaction as a place to live	82%	78%	83%	77%	-	75%
Property Management						
Average relet time Std(days)	31.26	28.14	26.57	39.84	34	42.88
Average relet time including major works (days)	40.14	35.25	32.66	50.04	-	56.88
% rent loss homes vacant	1.35%	1.24%	0.95%	1.24%	1.20%	1.46%
Number of empty homes	223	166	229	292	263	321
Number of empty homes – std	189	120	177	228	-	260
Number of empty homes – non standard & major works	34	46	52	64	-	61
Capital spend against target	85.50%	83.20%	66.20%	55.09%	-	104.53%
% of properties with gas servicing within 12 months	99.80%	99.88%	99.91%	99.80%	99.75%	99.88%
Rent Performance						
Current rent arrears	£1,628k	£1,552k	£2,215k	£2,668k	£3,000k	£2,933k
Former tenant arrears	£749k	£710k	£640k	£826k	£800k	£1,204k
Total rent arrears	£2,377k	£2,263k	£2,855k	£3,494k	£3,800k	£4,161k

Our focus at KNH has been to continue to improve the lives of people in Kirklees and we believe that providing a good quality home and place to live is key to this.

Our commitment to providing quality homes continues and we have been pleased to see families happily moving and settling into new state of the art homes in Golcar. This development has also added social value by employing local people and apprentices to build the properties.

We have an intranet which supports our employee engagement and communication with staff and we have a KNH website which provides an online experience for our tenants and stakeholders, which will be developed further to communicate effectively with all our customers.

We have received some great feedback on the health and wellbeing programme for staff, ‘Healthy, Happy, Fit’ which is inspiring staff to adopt lifestyle changes and sharing experiences across KNH.

Income Management staff are able to provide tenants with the support they need to complete relevant claim forms and budgeting skills, which helps them manage their finances better in order to reduce tenants’ debt and poverty levels.

Kirklees Neighbourhood Housing Limited
Strategic Report for the year ended 31st March 2020 (continued)

FUTURE PROSPECTS

Our focus is on purpose, values and behaviours, working with others to create effective partnerships to maximise value for money, social value and increase employment opportunities for our tenants and communities. KNH will aim to achieve successful outcomes by delivering our core business and future ambitions.

Our vision remains that we want to provide quality homes and services in successful communities, which means that we want to create homes and neighbourhoods where people want to live. We want to protect the vulnerable and facilitate giving our tenants improved living conditions which is the golden thread that runs through all the work that we do.

We will continue to focus on listening to the ‘voice’ of our tenants and getting a better understanding of ‘place’ - the area, community and environment where people live. To do this we have undertaken a number of consultation and engagement events digitally and physically to capture feedback. This has then helped to inform our five year Neighbourhood Investment Programme - ‘Your Home, Your Place’ which will see us delivering a programme of improvements to the homes and neighbourhoods we manage for Kirklees Council.

The ‘Your Home, Your Place’ programme is placing tenants at the heart of our decision-making process and these major works and investments are encouraging us to develop and embrace new ways of working.

We will continue to review costs and we are implementing a new internal charging model and pricing structure which will reflect efficiencies and savings achieved through improved working practices. Budgets for 2020-21 have been agreed with Kirklees Council which will fund and support the delivery of works and improved service delivery to our tenants.

At the Kirklees Cabinet meeting on 21st May 2020 a decision in principle was taken to transfer the Kirklees Council housing stock back into Kirklees control. Further consultation will be carried out with customers and stakeholder and a final decision will be taken in October 2020. Kirklees Council will continue to fund the delivery of housing services from the Housing Revenue Account.

Value for Money Statement for the year ended 31st March 2020

Following the merger between KNH and Kirklees Council in October 2016, KNH have achieved the agreed efficiencies savings as part of the Medium Term Financial Plan. This Value for Money (VfM) statement supplements and should be read in conjunction with the KNH annual accounts.

KNH benchmark themselves against other ALMO’s and similar housing providers and are members of Housemark and members of the Association for Public Service Excellence. We contribute to the analysis and costs of data and receive a report which can be used to inform future decisions in relation to budgets.

We have a planned approach to achieving and evidencing Value for Money and Social Value. KNH will procure goods and services through agreed frameworks to ensure quality at the right price. There will be a strong emphasis on making sure that savings are made from the

Kirklees Neighbourhood Housing Limited
Strategic Report for the year ended 31st March 2020 (continued)

right areas and that the impact of making these savings has been considered in relation to delivery and quality of services.

EMPLOYEES

Our focus at KNH has been on creating and building an environment where our employees can grow, develop and achieve their potential. We have sought to attract, support and retain highly motivated individuals who have an innovative and resilient mindset and are able to adapt to the changing nature of our business environment.

We are continuing to introduce initiatives which we believe will be successful in promoting and challenging our employees, members of the Board and others in their approach and response to culture and narrowing the gender pay gap (GPG). The gender pay gap comparison 2018/19 – 2019/20 is below:

	2018/19		2019/20		Difference
	Women	Men	Women	Men	
Difference in mean hourly pay	86p	£1	90p	£1	4p per hour improvement
Median percentage difference	13.5%	-	9.9%	-	3.6% improvement
Mean percentage difference	8.6%	-	8.5%	-	0.1% improvement
Upper quartile	22.7%	77.3%	25.8%	74.2%	2.1% more women paid in top quartile
Upper mid quartile	8.8%	91.2%	10.5%	89.5%	1.7% more women paid in upper mid quartile
Lower mid quartile	49%	51%	46.4%	53.6%	2.6% less women in the lower mid quartile
Lower quartile	46.8%	53.2%	51.4%	48.6%	4.6% more women in the lower quartile

To meet our employee’s challenges, we are continuing to:

- Embed our behaviours programme.
- Deliver a leadership and management programme.
- Develop and adopt strategies that we believe will demonstrate our commitment to narrowing the gender pay gap.
- Review and develop our people strategies to ensure that we have a diverse and inclusive workforce.

Approved by the Board of Directors and signed on behalf of the Board

Director 

Dated 18th September 2020

Kirklees Neighbourhood Housing Limited
Directors' Report for the year ended 31st March 2020

Legal status and adopted code

The Company is limited by guarantee and has a single shareholder Kirklees Council. The Company is operated as an Arm's Length Management Organisation (ALMO) under a management agreement that was signed in October 2016 for twenty years. The Company is governed by a Board of Management whose members are set out on page 1 of these accounts. The Board has adopted the National Housing Federation Code of Governance 2015 which demonstrates the Board's commitment to the highest standards of corporate governance. The code requires a self-assessment against its standards and for this assessment to be published on a comply or explain basis within the annual report and accounts. Having taken steps over the past two years to address areas of noncompliance against the code the board has now assessed its compliance and regards itself as fully compliant with the National Housing Federation Code of Governance 2015.

Dividends and transfers to Reserves

The results for the year are set out in detail on pages 16-18. There are no dividends paid in the current or prior year.

Disclosure of information to auditors

Each of the persons who are a director at the date of approval of this report confirms that:

- So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Beever and Struthers have been appointed as External Auditors. A resolution for the reappointment of Beever and Struthers as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board
and signed on behalf of the Board by

Director



Dated 18th September 2020

Kirklees Neighbourhood Housing Limited

Statement of Internal Control for the year ended 31st March 2020

PRINCIPAL RISKS AND UNCERTAINTIES

KNH's Board is responsible for overseeing and approving the risk management strategy, policies and risk appetite, as well as ensuring that effective audit, risk management and compliance systems are in place. The KNH Board has implemented a Risk Management Strategy and set its risk appetite in relation to the KNH Strategic Plan. The strategic risks thus identified, and the control measures adopted are reviewed on a quarterly basis. The Board also undertakes a series of deep dives into specific risks along with stress testing of the business plan to ensure strategic risks are all managed and mitigated.

At the time of preparing this report the Covid-19 pandemic was starting to impact on the operations of the company and wider society. The board has therefore reviewed the strategic risks and increased the impact trend across all areas of KNH's operations as the impact of the virus becomes known. The board will continue to monitor these risks and seek mitigating actions to ensure our business operations remain effective and efficient and our key legal and regulatory obligations are met.

In light of the climate emergency the board has approved a strategic environmental risk to be added to the Board's strategic risk register so that the environmental impact of the company's operations are highlighted and the impact of these operations are reduced on the environment over time.

Post Grenfell the Board continues to focus on key compliance risks to ensure the safety of our tenants and leaseholders. Compliance audits for all property related risks have been conducted and this provides a clear understanding of the actions required to continue to deliver safe and secure homes. Whilst the company along with many others still faces challenges in relation to supply chains for the procurement of fire doors for example, a clear plan is in place to address the issues over the short and medium term.

The Housing Revenue Account (HRA) of Kirklees Council is currently the principal source of funding for KNH as we receive a fee to deliver management and maintenance services on behalf of the Council. Income to the HRA is predominantly rents paid by tenants. Universal Credit remains a risk to KNH's income, however, the action taken by our income management team has significantly mitigated its impact during the year. We continue to pro-actively monitor this and other risks to our income working to minimise their impact.

The Company's pension liability on the balance sheet is not a cash liability. It is a long-term liability arising from the application of relevant accounting standards for defined benefit pension schemes and is underwritten by Kirklees Council.

The HRA business plan is reviewed and updated on an annual basis and sensitivities are tested. The Board and Senior Management Team have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The HRA Business Plan is balanced over the 30-year period and accordingly KNH continue to adopt the going concern basis in preparing their annual report and financial statements.

Kirklees Neighbourhood Housing Limited
Statement of Internal Control for the year ended 31st March 2020

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Governance Structure

The Company Board has overall responsibility for delivering the success of the Company by meeting the objectives set out within our business plan. The Company has been set up as a non-profit making organisation, no dividends are paid. The directors therefore do not recommend the payment of a dividend, or distribution of any surplus. The Board comprises up to nine members six of whom shall be Local Authority nominees and three of whom will be recruited from current tenants of Kirklees Council/KNH.

During the year, the Company operated the Property Committee as a sub-committee that has delegated authority under a term of reference approved by the Board.

Property Committee

The committee has responsibility for the oversight of our delivery of effective maintenance services, stock reinvestment programmes for our housing stock together with compliance with all legal and regulatory matters relating to the management of the Council's stock. The membership of the committee is drawn from currently serving Board members (4 in total).

Those members who serve on the Board and this sub-committee can be seen at the start of this report and accounts on page.

Statement of internal control

The Board acknowledges its ultimate responsibility for ensuring that it has in place a system of internal control and risk management that is appropriate to the various business environments in which it operates and for the review of the effectiveness of that system during the year.

Internal controls are designed to identify and manage, rather than eliminate, risks which may prevent an organisation from achieving its objectives. The system of internal control is designed to manage risk and give reasonable rather than absolute assurance with respect to:

- the achievement of key business objectives and expected outcomes.
- the preparation and reliability of financial and operational information used within the organisation and for publication.
- the maintenance of proper accounting and management records.
- the safeguarding of assets against unauthorised use or disposition.

Internal assurance activities

The process followed to identify, evaluate and manage significant risks faced by the company is ongoing and has been in place during the past financial year and up to the date of the annual report and financial statements.

Kirklees Neighbourhood Housing Limited
Statement of Internal Control for the year ended 31st March 2020

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Internal audit assurance

The Board primarily sources its internal audit function from Kirklees Council, to provide assurance on the operation of the control framework and the management of risk but may use other specialist audit firms for specific assurance requirements, such as compliance. Internal audit is not responsible for the design and construction of control systems but provides an assessment as to their effectiveness.

External audit assurance

The work of the external auditor provides some independent assurance over the adequacy of the internal control environment. The Board receives a management letter from the external auditor which identifies any internal control weaknesses. The Board itself, has reviewed the outcome of external audit work and the external audit management letter.

Fraud

KNH has a current policy on fraud which includes both fraud prevention and detection. Information with respect to frauds and losses is reported to the Board annually.

Statement of Directors' Responsibilities

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

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

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

Independent Auditor’s Report to the Members of Kirklees Neighbourhood Housing Limited for the year ending 31st March 2020

Opinion

We have audited the financial statements of Kirklees Neighbourhood Housing Limited “the company” for the year ended 31st March 2020 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Movement in Reserves, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies [NOTE 1]. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31st March 2020 and of its Surplus / Deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Independent Auditor's Report to the Members of
Kirklees Neighbourhood Housing Limited for the year ending 31st March 2020
(Continued)**

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which Companies Act 2006 requires us to report to you if, in our opinion:

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

**Independent Auditor's Report to the Members of
Kirklees Neighbourhood Housing Limited for the year ending 31st March 2020
(Continued)**

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Beever and Struthers

Maria Hallows (Senior Statutory Auditor)

For and on behalf of

BEEVER AND STRUTHERS

Statutory Auditor

St George's House

215/219 Chester Road

Manchester

M15 4JE

Date: 21 September 2020

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	31.3.20 £000	31.3.19 £000
TURNOVER	4	66,010	60,339
Administrative expenses		(76,605)	(63,255)
OPERATING (DEFICIT)	7	<u>(10,595)</u>	<u>(2,916)</u>
Interest receivable and similar income		<u>21</u>	<u>15</u>
		(10,574)	(2,901)
Other finance costs	13	<u>(1,062)</u>	<u>(894)</u>
(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION		(11,636)	(3,795)
Tax on surplus/(deficit) on ordinary activities	8	<u>(3)</u>	<u>(3)</u>
(DEFICIT) FOR THE FINANCIAL YEAR		<u><u>(11,639)</u></u>	<u><u>(3,798)</u></u>

KIRKLEES NEIGHBOURHOOD HOUSING LIMITED (REGISTERED NUMBER: 04394471)

**OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	31.3.20	31.3.19
		£000	£000
(DEFICIT) FOR THE YEAR		(11,639)	(3,798)
OTHER COMPREHENSIVE INCOME			
Actuarial gains/(losses) on assets		(14,736)	7,780
Actuarial gains/(losses) on liabilities		5,244	(10,669)
Income tax relating to components of other comprehensive income		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>(9,492)</u>	<u>(2,889)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>(21,132)</u></u>	<u><u>(6,687)</u></u>

The Company's results relate wholly to continuing activities and the notes on pages 21 to 32 form an integral part of these financial statements.

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	31.3.20 £000	31.3.19 £000
NON CURRENT ASSETS			
Property, Plant and Equipment	9	146	127
CURRENT ASSETS			
Stock		604	523
Work in progress		5,230	4,152
Debtors	10	5,946	4,925
Cash and cash equivalents		828	3,922
		12,608	13,522
CREDITORS			
Amounts falling due within one year	11	9,242	8,194
		3,366	5,328
NET CURRENT ASSETS			
		3,512	5,455
TOTAL ASSETS LESS CURRENT LIABILITIES			
PENSION LIABILITY	13	(64,064)	(44,876)
		(60,552)	(39,421)
NET LIABILITIES			
RESERVES			
Pension reserve		(64,064)	(44,876)
Income and expenditure account		3,512	3,909
Invest to save reserve		-	1,546
		(60,552)	(39,421)

The financial statements were approved by the Board of Directors on 17th September 2020 and were signed on its behalf by

Cllr N Mather - Chair

KIRKLEES NEIGHBOURHOOD HOUSING LIMITED (REGISTERED NUMBER: 04394471)**MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

	Retained earnings £000	Invest to Save reserve £000	Pension reserve £000	Total reserves £000
Balance of Reserves at 31 March 2018	<u>2,433</u>	<u>1,588</u>	<u>(36,755)</u>	<u>(32,734)</u>
Changes in reserves				
Total comprehensive income	<u>1,476</u>	<u>(42)</u>	<u>(8,121)</u>	<u>(6,687)</u>
Balance of Reserves at 31 March 2019	<u>3,909</u>	<u>1,546</u>	<u>(44,876)</u>	<u>(39,421)</u>
Changes in reserves				
Total comprehensive income	<u>(397)</u>	<u>(1,546)</u>	<u>(19,188)</u>	<u>(21,132)</u>
Balance of Reserves at 31 March 2020	<u>3,512</u>	<u>-</u>	<u>(64,064)</u>	<u>(60,552)</u>

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	31.3.20 £000	31.03.19 £000
Cash flows from operating activities			
Cash generated from operations	10	(2,999)	1,559
Tax paid		(3)	(2)
Net cash from operating activities		<u>(3,002)</u>	<u>1,557</u>
Cash flows from investing activities			
Purchase of property, plant & equipment		(118)	(110)
Disposal of property, plant & equipment		5	1
Interest Received		21	15
Net cash from investing activities		<u>(92)</u>	<u>(94)</u>
Increase/(Decrease) in cash and cash equivalents		(3,094)	1,463
Cash and cash equivalents at beginning of year	20	3,922	2,459
Cash and cash equivalents at end of year	20	<u>828</u>	<u>3,922</u>

Kirklees Neighbourhood Housing Limited (Registered number 04394471)

Notes to the Financial Statements for the year ended 31st March 2020

1. Incorporation

Kirklees Neighbourhood Housing Limited is registered in England and Wales and its registered office is Perseverance House, St Andrews Road, Huddersfield, HD1 6RZ. Its registered number is 04394471. The company is a private company limited by guarantee and it does not have share capital. There is only one member of the company who has guaranteed £1. That member is Kirklees Council (the Council) and the Company's Articles of Association state that no person other than the Council shall be admitted to membership of the organisation.

If, upon the winding up or dissolution of the company, there remains after the satisfaction of all its debts and liabilities any property whatsoever, the same shall be paid or transferred to the Housing Revenue Account (as defined in the Local Government and Housing Act 1989) of the Council member.

The company is a public benefit entity.

2. Statement of Compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. Accounting Policies

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention. Confirmation of Kirklees Council's on-going support is received.

KNH was awarded a twenty year contract in October 2016 by Kirklees Council, with Cabinet approval. The company's pension liability in the balance sheet is not a cash liability. It is a long-term liability which arises from the application of relevant accounting standards for defined benefit pension schemes and is underwritten by Kirklees Council.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

The functional currency of KNH is £ sterling.

Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Provisions for bad debts

Provision is made against debts to the extent that they are considered potentially irrecoverable. Debtor balances are reviewed individually for recoverability when calculating the year end bad debt provision.

Provision for liabilities

A provision is made in the financial statements for any known liabilities at the balance sheet date.

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

Key accounting estimates and assumptions

Accounting estimates, by definition, will often vary from the actual results. They are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. The carrying amount of the estimates and assumptions at the yearend are disclosed in the relevant note to the accounts.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets, which are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. All the company's turnover derives from the rendering of services. Management fees represent the fees receivable from Kirklees Council for the management and maintenance of Kirklees Council's housing stock.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and any costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life: Fixtures and fittings - 25% on cost.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Short term debtors are measured at transaction price, less any impairment and short term creditors are measured at the transaction price.

Pension costs and other post-retirement benefits

The company contributes to the West Yorkshire Pension Fund, a funded defined benefit scheme. For defined benefit schemes, the amounts charged to operating deficit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account. The interest cost and the expected return on assets are shown as a net amount of other finance gains or losses. Actuarial gains and losses are recognised immediately in the statement of other recognised gains and losses.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet. A pension related guarantee from Kirklees Council to cover all pension costs exists.

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

Grants receivable

Grants are recognised in the income and expenditure account when the conditions for receipt have been complied with and there is reasonable assurance that the grant will be received.

Leases

Operating lease rentals are charged to the income and expenditure account in equal amounts over the lease term.

Going Concern

The accounts have been prepared on a going concern basis. The key risk to the company is uncertainty over the level of funding provided by Kirklees Council in future years where budgets are not yet confirmed. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Confirmation of Kirklees Council's on-going support is received in this respect, and accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

The outbreak of Covid-19 and the lockdown measures announced on 23 March 2020, presented operational and financial risks that to date have been successfully managed. KNH's income is generated through a management and maintenance fee received from Kirklees Council's Housing Revenue Account, which receives the rental income from tenants and leaseholders. This demonstrates that the financial impact of Covid-19 can be managed so that the Company will continue to have the liquidity to manage the risks.

Following a review of the management of council housing in Kirklees, an in principal decision has been taken to transfer the housing stock back to council council. This is subject to further consultation with tenants, leaseholders and other stakeholders and a final decision will be taken in October 2021.

Reserves

The Company sets aside specific amounts for reserves for future policy purposes and meet contingencies. Certain reserves are kept to manage the accounting processes for retirement and employee benefits and therefore are not available for use by the Company.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made, without discounting, for all timing differences which have arisen but not reversed at the balance sheet date except as required by FRS 102 Section 29.

Value Added Tax (VAT)

Vat payable is included as an expense only to the extent that it is non-recoverable from Her Majesty's Revenue and Customs. Vat receivable is excluded from income.

Stock

Inventories are included in the balance sheet at the lower of cost and net realisable value.

Cash and cash equivalents

Cash, for the purpose of the statement of cash flows, comprises cash in hand and deposits repayable without notice or penalty (sometimes referred to as "on call").

Work in Progress

The value of work in progress is accounted for based on valuations carried out for works completed at 31st March 2020.

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

4. Turnover

The turnover and deficit before taxation are attributable to the one principal activity of the company

An analysis of turnover is given below:

	31.3.2020	31.3.2019
	£000	£000
Kirklees Council management fee	40,857	39,175
Grants receivable	18	7
Charged works and other income	25,135	21,157
	<u>66,010</u>	<u>60,339</u>

5. Employee Costs

	31.3.2020	31.3.2019
	£000	£000
Wages and salaries	25,474	24,020
Social security costs	2,391	2,287
Other pension costs	3,218	2,987
	<u>31,083</u>	<u>29,294</u>

The average monthly number of employees during the year was as follows:

	31.3.2020	31.3.2019
Operational	763	758
Administration and clerical	69	56
	<u>832</u>	<u>814</u>

Included in the pension costs shown above are adjustment in respect of the defined benefit pension scheme amounting to £3,210,000 (2019 - £3,978,000)

6. Directors Remuneration

Key management comprises the Chief Operating Officer, Directors and Heads of Service (the senior leadership team).

The emoluments paid or payable to key management for employee services was:

	31.3.2020	31.3.2019
	£000	£000
Salaries and other short-term benefits	972	885

Non Executive Directors Remuneration

The Non-executive Directors did not receive any remuneration during the current or prior year. However, they are paid expenses for expenditure incurred on travel and subsistence in relation to attendance of Board and sub-committee meetings; training and other company events.

The aggregate of expenses paid to Board members in the year was £1,629.33 (2019 - £15,196.28).

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

There are 4 Directors accruing benefits under the Defined Benefit pension scheme.

The highest paid director at Kirklees Neighbourhood Housing is the Chief Operating Officer who was paid £128k including pension contributions. The total cost including other expenses and VAT was £170k. (2019 – The highest paid director was the Director of Resources who was paid £89k including pension contributions and there were no other expenses or VAT applicable).

7. Operating Deficit

The operating deficit is stated after charging:

	31.3.20	31.3.19
	£000	£000
Depreciation - owned assets	90	79
Profit on disposal of fixed assets	5	1
-other	4	8
Auditor's remuneration:-audit services	18	17
-non-audit services	<u>2</u>	<u>1</u>

8. Taxation

Analysis of the tax charge

The tax charge on the deficit on ordinary activities for the year was as follows:

	31.3.20	31.3.19
	£000	£000
Current Tax:		
UK corporation tax	<u>3</u>	<u>3</u>
	<u>3</u>	<u>3</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK.

The difference is explained below:

	31.3.20	31.3.19
	£000	£000
Surplus/(Deficit) on ordinary activities before tax	<u>(11,637)</u>	<u>(3,795)</u>
Deficit on ordinary activities multiplied by the standard rate of corporation tax in the UK of:		
19% (2019 - 19%)	(2,327)	(759)
Effects of:		
Income not taxable for tax purposes	2330	762
Pension fund adjustments	0	0
Transfer of pension liability	<u>0</u>	<u>0</u>
Total tax charge	<u>3</u>	<u>3</u>

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

Tax effects relating to effects of other comprehensive income

	31.3.20		
	Gross £000	Tax £000	Net £000
Actuarial (losses)/gains on assets	(15,742)	-	(15,742)
Actuarial gains/(losses) on liabilities	5,244	-	5,244
	<u>(10,498)</u>	<u>-</u>	<u>(10,498)</u>
	31.3.19		
	Gross £000	Tax £000	Net £000
Actuarial (losses)/gains on assets	7,780	-	7,780
Actuarial gains/(losses) on liabilities	(10,669)	-	(10,669)
	<u>2,889</u>	<u>-</u>	<u>2,889</u>

The financial statements are prepared on the basis that it is considered that the company is liable to corporation tax only on income arising from external sources, less attributable expenses.

9. Tangible Fixed Assets

	31.3.20 £000
Cost	
1st April 2019	261
Additions	114
Disposals	(13)
At 31 March 2020	<u>362</u>
Depreciation	
1st April 2019	(134)
Depreciation	(82)
At 31 March 2020	<u>(216)</u>
Net book value	
At 31st March 2020	<u>146</u>
At 31 March 2019	<u>127</u>

10. Debtors: Amounts Falling Due Within One Year

	31.3.20 £000	31.3.19 £000
Trade debtors	2,243	446
Amount due from Kirklees Council	3,471	4,176
Prepayments and accrued income	232	303
	<u>5,946</u>	<u>4,925</u>

11. Creditors: Amounts Falling Due Within One Year

	31.3.20 £000	31.3.19 £000
Trade creditors	(2,559)	(2,098)
Tax	(3)	(3)
Social security and other taxes	(1,768)	(1,119)
Amounts owed to Kirklees Council	(3,781)	(2,005)
Accruals and deferred income	(1,131)	(2,969)
	<u>(9,242)</u>	<u>(8,194)</u>

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

12. Leasing Agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.3.20 £000	31.3.19 £000
Within one year	<u>4</u>	<u>8</u>

13. Employee Benefit Obligations

The company has an obligation to pay pension benefits to employees. The cost of these benefits and the present value of the obligation dependent on a number of factors, including life expectancy, future salary increases, asset valuations and the discount rate on corporate bonds. With the help of an external actuary, management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

The company contributes to the West Yorkshire Pension Fund, a defined benefit scheme. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 March 2019 and updated on an approximate basis to 31 March 2020.

The contributions made by the employer over the financial year have been £3,218,211 (2019 - £2,987,218) equivalent to 13.0% (2019 - 13.0%) of pensionable pay. The employers' contribution rate for Kirklees Building Services prior to the merger with Kirklees Neighbourhood Housing, was 15.1%. Following the merger the revised rate was 13.0%.

The amounts recognised in surplus or deficit

	Defined benefit pension plan	
	31.3.20 £000	31.3.19 £000
Current Service Cost	8,804	7,552
Interest on net defined benefit liability/(asset)	1,062	894
Past Service Cost	3,040	762
	<u>12,906</u>	<u>9,208</u>
Actual return on net assets	<u>10,655</u>	<u>11,693</u>

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

13. Employee Benefit Obligations (continued)

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

	Defined benefit pension plans	
	31.3.20	31.3.19
	£000	£000
Opening defined benefit obligation	208,242	186,003
Current service cost	8,804	7,552
Contributions by participants	1,611	1,616
Interest expense on defined benefit obligations	5,143	4,817
Actuarial (gains)/losses on liabilities	(5,244)	10,681
Net benefits paid out	(5,168)	(3,189)
Past service cost	3,040	762
	<u>216,428</u>	<u>208,242</u>

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

	Defined benefit pension plans	
	31.3.20	31.3.19
	£000	£000
Opening fair value of assets	163,366	149,248
Contributions by the employer	3,210	3,998
Contributions by participants	1,611	1,616
Interest income on assets	4,081	3,913
Remeasurement gains/(losses) on assets	(14,736)	7,780
Net benefits paid out	(5,168)	(3,189)
	<u>152,364</u>	<u>163,366</u>
Net Pension Liability	(64,064)	(44,876)

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31.3.20	31.3.19
	£000	£000
Actuarial gains/(losses)	(9,492)	(2,889)
	<u>(9,492)</u>	<u>(2,889)</u>

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

	Defined benefit pension plans	
	31.3.20	31.3.19
Equities	77.50%	74.00%
Government bonds	9.60%	11.20%
Corporate Bonds	5.10%	4.00%
Cash	1.90%	2.30%
Property	4.50%	4.70%
Other	1.40%	3.80%
	<u>100.00%</u>	<u>100.00%</u>

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

13. Employee Benefit Obligations (continued)

Included within creditors are pension contributions of £372,239 (2019 - £205,596) which are outstanding at the year end.

A deferred tax asset is not recognised in respect of the pension deficit as the directors consider that it would not be prudent to do so.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	31.3.20	31.3.19
Discount rate	2.30%	2.50%
Future salary increases	3.15%	3.35%
Future pension increases	1.90%	2.10%
CPI inflation	1.90%	2.10%
Pensions account revaluation rate	1.90%	2.10%
Life Expectancy:	31.3.20	31.3.19
	Years	Years
Male future pensioner aged 65 in 20 years' time	22.5	23.2
Female future pensioner aged 65 in 20 years' time	25.7	27.2
Male current pensioner aged 65	21.8	22.2
Female current pensioner aged 65	24.6	25.4

14. Other Financial Obligations

Kirklees Council provide support to Kirklees Neighbourhood Housing Limited in the form of various service level agreements. The cost of these agreements are agreed annually but they were not confirmed at the year end. The cost of expenditure during the current year is detailed in note 17.

In October 2016, a 20-year contract was entered into with Kirklees Council for Kirklees Neighbourhood Housing Limited to continue and deliver the Housing Management Services. As part of this contract there will be service level agreement support contracts agreed annually.

15. Related Party Disclosures

Kirklees Council

There are six Kirklees Council nominees on the KNH Board.

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

Transactions with Kirklees Council during the year were as follows:

	31.3.20	31.3.19
	£000	£000
Income		
Management Fee	40,857	39,175
Other Works	22,682	17,914
	<u>63,539</u>	<u>57,089</u>
Expenditure		
Staff Costs	416	343
Transport	1,993	2,061
Dwelling Repairs	1,006	1,280
IT costs	1,553	1,291
Office accommodation	337	651
Other support costs	4,418	3,615
Cash generated from operations	<u>9,724</u>	<u>9,240</u>
Amount due from/(to) related party at the balance sheet date	<u>(310)</u>	<u>2,171</u>

The outstanding amounts are payable on demand and no interest is charged

16. Tenant Representatives

Two of the company's directors are tenants of properties managed by the company with one vacancy. Their tenancies are on normal standard terms and they are not able to use their position on the Board For their personal advantage.

17. Financial Commitments

Kirklees Council provide support to Kirklees Neighbourhood Housing Limited in the form of various service level agreements. The costs of these are agreed annually.

In October 2016, a 20-year contract was entered into with Kirklees Council for Kirklees Neighbourhood Housing Limited to deliver the housing management services.

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

18. Reconciliation of Deficit Before Taxation to Cash Generated from Operations

	31.3.20	31.3.19
	£000	£000
Deficit before taxation	(11,637)	(3,795)
Depreciation charges	90	79
Loss on disposal of fixed assets	5	1
Pension charge less cash contributions	8,634	3,978
Finance costs	1,062	894
Finance income	(21)	(16)
	<u>(1,867)</u>	<u>1,141</u>
Increase/(decrease) in stocks	(81)	2
Increase/(decrease) in work in progress	(1,077)	(741)
(Increase)/decrease in trade and other debtors	(1,021)	(299)
Increase/(Decrease) in trade and other creditors	1,047	1,456
	<u>(2,999)</u>	<u>1,559</u>

19. Cash and Cash Equivalents

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts

As at 31 March 2020

	31.3.20	1.4.19
	£000	£000
Cash and cash equivalents	<u>828</u>	<u>3,922</u>

	31.3.19	1.4.18
	£000	£000
Cash and cash equivalents	<u>3,922</u>	<u>2,459</u>

20. Capital Commitments

The Capital Commitments for Kirklees Neighbourhood Housing are approved as part of the overall Kirklees Council Capital Programme, by the Members of the Council.

The total draft capital programme for the next five years to 2024/25 is £183.6m, with a total of £34.5m budgeted for 2020/21. Kirklees Neighbourhood Housing are estimated to deliver up to £14.7m of this work in 2020/21. This will be funded from resources set aside in the Housing Revenue Account for the approved capital plan.

21. Contingent Assets/Liabilities

A pension related guarantee exists between Kirklees Neighbourhood Housing Limited and Kirklees Council to cover all related pension costs.

Kirklees Neighbourhood Housing Limited (Registered number 04394471)
Notes to the Financial Statements for the year ended 31st March 2020 (continued)

22. Contingent Liabilities

There are no known contingent liabilities. The pension liability for KNH is underwritten by Kirklees Council

23. Ultimate Controlling Party

The ultimate controlling party is Kirklees Council, its registered office being Civic Centre, 1 High Street, Huddersfield HD1 2NF