Byker Community Trust Limited
(A Co-operative and Community Benefit Society)
Financial Statements
For the Year Ended 31 March 2016

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BYKER COMMUNITY TRUST LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016

TRUST DETAILS

Legal status of Byker Community Trust (BCT)

BCT is incorporated under the Co-operative and Community Benefit Societies Act 2014, it has charitable status and is registered with the Homes and Communities Agency as a Registered Provider of Social Housing as defined by the Housing Act 1996.

Board of Management (Non-Executive Directors)

Jim Coulter	Chair
Annette Patten	Vice Chair
Gordon Bell	
Paul Callaghan	Appointed 16/09/15
Nigel Emmerson	Co-optee up until 04/11/15, Independent Board Member from 05/11/15
Mark Ford	Resigned 14/03/16
Claire Green	
Nick Kemp	
Ken Milor	Retired 16/09/15
Amanda Senior	
Alison Smith	
Herby Warren	

Executive Officers (Executive Directors)

Jill Haley	Chief Executive
Philip Pollard	Director of Operations (appointed 11/03/16)
Michelle Bell	Head of Property Investment, Development and Asset Management
David Jones	Head of Engagement and Community Development
Philip Ambrose	Financial Controller and Company Secretary

Bankers

Lloyds Bank
102 Grey Street
Newcastle upon Tyne
NE1 6AG

Funders

Yorkshire Building Society
Yorkshire House
Yorkshire Drive
Bradford
BD5 8LJ

Auditors	Beever and Struthers Chartered Accountants St. George's House 215-219 Chester Road Manchester M15 4JE
Registered office	17 Raby Cross Byker Newcastle upon Tyne NE6 2FF
Registration Numbers	4714 - Homes and Communities Agency. Registered Provider of Social Housing 31376R – Financial Conduct Authority. Registered Co-operative and Community Benefit Society under the Cooperative and Community Benefit Societies Act 2014

Principal activities

BCT was formed due to a large scale voluntary transfer, where 1,803 homes were transferred from Newcastle City Council on 5 July 2012. BCT exists for the benefit of the community. BCT's principal activity is to provide social housing.

Director's share interests

All Board members are non-executive directors of BCT. Each non-executive director has a shareholding in BCT of 1 share. The executive directors hold no interest in BCT's shares and act as executives within the authority delegated by the Board. Insurance policies indemnify directors and officers against liability when acting for BCT.

Political and charitable gifts

None.

Governance and regulatory compliance

BCT governance arrangements comply with governance good practice and regulatory standards. BCT comply with the National Housing Federation (NHF) 2015 Code of Governance and the Homes and Communities Agency (HCA) Governance and Financial Viability Code of Practice. In all material respects, BCT complies with the HCAs Regulatory Framework and Standards. This is evidenced by the current G1 governance grading from the HCA.

Responsibilities of the Board

The Board is responsible for directing the affairs of BCT in accordance with its objects and rules and ensure that its functions are properly performed. Its main responsibilities are:

- Set and ensure compliance with the values, vision, mission and strategic objectives of BCT, ensuring its long term success.
- Appoint, and if necessary, dismiss the chief executive and approve his or her salary, benefits and terms of employment.
- Satisfy itself as to the integrity of financial information, approving each year's budget and business plan and annual accounts prior to publication.
- Establish, oversee and review annually a framework of delegation and systems of internal control.
- Establish and oversee a risk management framework in order to safeguard the assets of BCT.
- Take appropriate advice.
- Ensure at all times that BCT takes account of any obligation imposed upon it by the regulator in exercise of its powers.
- Satisfy itself that BCT's affairs are conducted in accordance with generally accepted standards of performance and propriety.
- Establish and operate a performance appraisal system for the Board, the Chair and individual Board Members.

OBJECTIVES AND STRATEGIES

Our vision, mission, values and key objectives

Vision

BCT's vision for 2015 to 2020 is an independent BCT where:

- We have delivered on the major stock transfer promises.
- We ensure tenants have a key voice and role in decision making.
- We maximise access for local people into employment, training, health and educational opportunities.

Mission

- We work for people who have a voice and influence in our business.
- We celebrate our diverse neighbourhood.
- We provide quality homes, environment and services.

Values

We will do our best for Byker by being:

- Ambitious for people and the community.
- Energetic in our work with and for our diverse neighbourhoods.
- Innovative in providing excellent services.
- Open and transparent in the conduct of our business.
- Unrelenting in our focus on positive change.

Key objectives

1. Fulfilling the stock transfer promises:
   - Completing and developing the Investment Plan.
   - Engaging, empowering and supporting residents.
   - Contributing to economic health of the neighbourhood.

2. Completing the journey to independence:
   - Being a first class strategic partner.
   - Growing our commissioning skills.

3. Underpinning Value for Money and the financial security of the BCT:
   - Securing outcomes which balance efficiency, economy and effectiveness in all we do.
   - Maintaining a clear approach to risk identification and management.
   - Ensuring we continue to have a sustainable business plan.

4. Delivering excellence:
   - Focusing on excellent customer service.
   - Continuing to aim for first class governance.
   - Ensuring staff are proud of their work for Byker through support for training, development and remuneration policies.

The Corporate Plan 2015-2020 sets out the key actions that BCT are carrying out during that 5 year period to ensure that services continue to improve. To implement the Corporate Plan a SMART Action Plan exists to manage and control the time scaled delivery of all the specific actions.

Some key activities and achievements against the Corporate Plan Action Plan during 2015/16 are:

Fulfilling the stock transfer promises:

- Undertaking a stock condition and SAP energy rating survey of all BCT assets – to complete by March 2017.
- Producing traffic light viability status and net present value (NPV) assessment of all BCT assets to inform investment plans – to complete by March 2017.
- Development and implementation of a 10 year investment programme and asset management strategy – to complete by June 2017.
- Tenants reference group setup in November 2015 and includes equalities & diversity issues within its remit.
- BCT Mystery Shopping team being setup and in place May 2016.
- Tenant Scrutiny Panel report and action plan approved by Board in March 2016.
- New BCT website launched in March 2016.
- Year 3 community activities fund scheme held and 12 projects approved.
- Equalities & diversity strategy annual progress reported to Board in July 2015.
- Ongoing promotional work aimed at encouraging residents to get involved with the Tenants and Residents Associations.
- Continuing 1 to 1 support to tenants around benefit, debt, and financial inclusion. In 2015/16 174 clients supported with £178k financial gain outcome for them.
- Providing employability support to tenants with 3 gaining employment and 1 an apprenticeship.
- BCT have become part of the UK Online Centres network and implemented a digital

inclusion pilot of group sessions for residents to improve their skills and confidence. 13 residents have taken part so far.
- Continuing fundraising and donations efforts for the local foodbank.
- BCT are working with the local Change4Life partnership to promote their programmes and activities to Byker residents.

Completing the journey to independence:
- Close partnership working with Newcastle City Council Fairer Housing Unit for mutual benefit around options for BCT land development sites.
- BCT joining Spirit Partnership in order to access grant funding for a small scale conversion of non-residential units into 10 residential units.
- Close partnership working with Newcastle City Council refuse management and highways to inform BCT estate environment upgrade plans.
- Working in close collaboration with Newcastle City Council around plans to install a 2nd biomass boiler for the Byker District Heating scheme.
- Referring residents to skills courses and traineeship opportunities made available by a specialist provider.
- Implementation of future service delivery plans is underway for new arrangements commencing from July and October 2016.
- Ongoing improvement of procurement skills through specific procurement exercises (District Heating improvements, Modern Homes Omits catch up, Estate Environmental Upgrade, new service delivery arrangements).
- Tender evaluation covers objectives within the BCT Capital Investment Strategic Brief to maximise social investment, employment and training opportunities.

Underpinning value for money (VfM) and the financial security of BCT:
- Detailed review of future service delivery options with the aims of greater efficiencies, cost effectiveness and improved customer experience/satisfaction, leading to Board decision in September 2015.
- Individual Service Level Agreements to be in place for all services under the new delivery arrangements with clear specification of cost and performance targets and arrangements for addressing any adverse performance.
- Quarterly updating of strategic risk register and implementing action plans to mitigate against current and emerging high risk issues including business plan stress testing to assess potential impacts.

Delivering excellence:
- Annual self-assessment against the consumer standards and developing action plans to guide implementing improvements.
- BCT office expansion completed in March 2016 to provide improved customer access as preparation for direct delivery of tenancy and estate management services from October 2016.
- BCT developing new service standards and policies as part of new service delivery arrangements.
- Comprehensive governance stocktake completed in February 2016 leading to a range of improvement actions focussed on maintaining and strengthening good governance.
- New staffing structure being put in place for new service delivery arrangements with competencies being defined in line with BCT vision, mission and values.
- Fresh STAR survey of customers being developed for issues in May 2016.

OPERATING AND FINANCIAL REVIEW

Policy and Regulatory Environment

A key change impacting on BCT is the Government requirement, announced in the July 2015 budget, to implement rent reductions of 1% per annum for a 4 year period commencing from 01 April 2016. This was a major departure from the Government's policy of annual rent increases based on consumer price index (CPI) plus 1% for a period of 10 years from 01 April 2015. Stress testing of the BCT Business Plan revealed a significant adverse impact on income levels for BCT. BCT has mitigated against this by implementing a Service Transformation Project with the twin aims of improving service quality and reducing cost. This is detailed further in the Value for Money Summary section of this strategic report.

During 2015/16 BCT has been carrying out further stress testing of the Business Plan to understand the impact of potential future Government policy change. This has included assessing the impact of changes to the levels of Local Housing Allowance (LHA) and quantifying the effect of potential mitigating actions.

In response to the new regulatory framework in place from April 2015, BCT conducted a thorough governance review. A key outcome from this is the development of a detailed Board Member competencies framework which will underpin Board renewal and recruitment as well as inform the programme of Board Member training.

Summary Financial Performance

In 2015/16 BCT delivered a strong financial performance, achieving an operating surplus of £2.57m (up 5.1%) on the previous year.

During 2015/16 an opportunity was taken to implement a fixing on £10m of the current loan facility out to January 2025 which gives BCT greater cost certainty going forward and provides protection against and future interest rate increases.

BCT has continued to deliver the investment programme in line with stock transfer promises. By March 2016 more than half of the early years investment programme has been delivered and the remainder is planned for delivery over the next 2 years. Alongside that BCT is developing its next wave of investment in line with its developing asset management strategy.

Service Transformation Project

Following a thorough review, BCT Board in September 2015 determined it strategy for future delivery of services to customers. Key to this is to achieve greater control over the standards of service delivery in order to improve quality and cost efficiency. More details of this are included within the Value for Money Summary below.

VALUE FOR MONEY SUMMARY

Introduction

This is a summary of the overall Value for Money (VfM) Self-Assessment. The full self-assessment for 2015-16 can be viewed on the BCT website, using the following link:
http://bykercommunitytrust.org/resource-category/bct-reports/

BCT is committed to delivering VfM in the interests of its tenants and the wider community because we want to minimise the financial pressures on households adversely affected by the economic pressures which they face, and to improve service quality in addition to customer satisfaction. We believe it is important to establish a culture of continuous improvement and in order to do so, engage with our tenants and residents to determine their views and priorities. A new 'Byker Approach' to service delivery is based around a 'bottom up', customer relationship and engagement programme. The Byker Approach will continue to evolve and improve service delivery by using information provided by our customers to shape service provision, moving forward. That is the context in which we work to implement the regulatory requirements of the Homes and Communities Agency (HCA).

BCT Efficiency Savings

To date, BCT have achieved significant one-off (£20.982m) and annually recurring (£535k) financial gains through various actions. These are itemised in the table at the end of this statement on pages 9 to 10. These efficiency gains have been used to reduce BCT's borrowing and running costs, and cashable savings have been invested in additional capital expenditure.

BCT Service Transformation Project

During 2015-16 BCT's VfM approach has focused on future service delivery arrangements. In February 2014, BCT initiated a review of the service delivery arrangements which were put in place at the time of stock transfer in July 2012. The work included:

- Examining the service coverage of the current contracts and underlying costs put in place at the time of stock transfer and lasting for a 4 year duration;
- Benchmarking across a range of comparator organisations (outcomes as well as costs);
- Consideration of value for money, efficiency and quality;
- Potential tax efficiency as a contribution to reducing costs through participation in a Cost Sharing Vehicle (CSV).

In the review period additional pressure was brought to bear on BCT's costs as a result of the rent reduction announcement made in the July 2015 budget. The impact of the rent reduction will be to reduce revenue by £2m over the 4 year period and by £9m within the life of BCT's financial facility (to early 2025).

BCT concluded the options appraisal in September 2015 and decided;

- To bring housing management and support services in house from October 2016.
- To extend the current contract with Your Homes Newcastle & Newcastle City Council in relation to concierge & cleaning services and the provision of furniture packages from October 2016.

- To join a Cost Sharing Vehicle (CSV) with Isos Complete Support, through which the following services will be delivered: Grounds Maintenance & Environmental Response Services from July 2016; Repairs & Maintenance (including voids); Finance & Income Management; and Older Persons Housing all from October 2016.

BCT are clear on the objectives to be achieved by the service transition and they are:
- Control over standards of service delivery with a focus on improvement in quality and cost.
- Value for money including excellence in service to customers.
- Completing the stock transfer promises to tenants, including those which highlighted service delivery reviews.

The Service Transformation Programme has target annual revenue savings of £0.5m (6.2% of our operating costs). In addition BCT will aim to achieve median unit costs as per sector data by 2020.

BCT are implementing the service changes through;
- A detailed, costed model of the new staffing structure which will underpin executive and governance functions, housing management, customer engagement, marketing and communication, technical and corporate services;
- A detailed Pricing Model and Service Level Agreement for each service area delivered through the CSV;
- Ongoing work with YHN to develop appropriate specifications and accurate costs for Concierge, Cleaning and Furniture services.

Together these three aspects of work enable BCT to understand its cost base in greater detail than previously and to predict the impact on budgets in the event of service changes and/or levels of demand. New arrangements are being compared against the baseline costs of service delivery prior to transformation and all savings/benefits are being evidenced

BCT's full VfM statement includes further detailed information on the following;
- VfM gains and benefits realisation to be achieved through the new approach to service delivery
- BCT Performance
- Benchmarking against peer group
- Summary returns on assets
- VfM gains achieved
- Social value gains achieved
- Future initiatives and business growth opportunities

Byker Community Trust Efficiency Savings Log			
On Stream Year	**Description**	**Estimated One Off Saving £000s**	**Estimated Annual Saving £000s**
2012/13	Savings on years 1 to 15 capital investment programme via VAT Shelter arrangement	6,472	
2012/13	Fixing of interest rates for current loan facility secured savings against original estimate of loan interest	706	
2012/13	Interest earnings in excess of budget	12	
2012/13	Renegotiation of Street Wardens contract		60
2012/13	Securing Community Covenant grant funding for Avondale House Refurbishment	250	
2012/13	Tender saving against budget on Avondale House contract	134	
2012/13	Revenue expenditure outturn under budget	359	
2012/13	VAT savings years 1 to 5 through agreement of partial recovery special method calculation	68	
2012/13	Securing NCC grant funding towards Stilt Block improvement works	33	
2012/13	Access to Newcastle City Council negotiated discount rates for communal electricity supplies		2
2012/13	Access to Newcastle City Council negotiated discount rates for gas supplies		21
2013/14	YHN contract prices frozen at 2012/13 rates		90
2013/14	NCC contract prices frozen at 2012/13 rates		8
2013/14	Tender saving against budget on Modern Homes Omit contract	10	
2013/14	Tender saving against budget on Byker Wall contract	227	
2013/14	Additional revenue income streams through installation of Biomass boiler		199
2013/14	Negotiation of reduction in employers pension contributions (from 27.5% to 16.2%)		27
2013/14	Interest earnings in excess of budget		44
2013/14	Securing YHN funding contribution towards Byker Wall upgrade	65	
2013/14	Securing YHN contribution towards Stilt Block improvement works	25	
2013/14	Securing reduction on investment programme fees against budget	482	
2013/14	Securing 12% reduction on asbestos removal monitoring fees against original price quoted	19	
2013/14	Securing reduction in Concierge Upgrade contract against original price quoted	400	
2013/14	Securing nil fee on Concierge Upgrade contract	32	
2013/14	Securing VAT reduction through transfer of employees from YHN to BCT		60

On Stream Year	Description	Estimated One Off Saving £000s	Estimated Annual Saving £000s
2013/14	Accessing HMRC Small Employers Allowance Scheme		2
2014/15	Securing lower interest rate than budgeted for prudential borrowing for District Heating Upgrade	885	
2014/15	Securing NCC grant funding towards Chirton House redevelopment	480	
2014/15	Securing further reduction in employers pension contributions (from 16.2% to 14.9%)		3
2014/15	Securing free banking services		1
2014/15	Securing HCA grant funding towards Hobby Rooms feasibility study	25	
2014/15	Increasing interest earnings from automatic sweep of current account balance to deposit account		2
2014/15	Negotiated reduction in arrangement fee for extended loan facility	50	
2014/15	Revenue expenditure outturn under budget	808	
2015/16	Effect of lower rent increases than originally planned from 2015/16 as per new rent setting rules	160	2
2015/16	Net saving on Housing Management Contract for final year of current contract	6	
2015/16	Saving on finance charges through securing reduction in margin from 2.75% to 1.9% on extended loan facility	3,561	
2015/16	Fixing of interest rates for current loan facility secured savings against original estimate of loan interest	3,877	
2015/16	No cost of living rise allocated to BCT staff		8
2015/16	Loan interest savings through early repayment of Bolam Coyne prudential borrowing loan	411	
2015/16	Feed in tariff income and own use savings from installation of PV panels on Byker Wall roof		6
2015/16	Revenue expenditure under budget	1,425	
	Total	**20,982**	**535**

Public Benefit Entity
As a public benefit entity, Byker Community Trust Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS102.

Information for Auditors
The Board Members who held office at the date of approval of this board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board Member has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Statement of Compliance

The board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

By Order of the Board:

Signed: **Date:** 25/8/16

STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the Income and Expenditure for the period of account.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

By Order of the Board:

Signed: **Date:** 25/8/16

BYKER COMMUNITY TRUST LIMITED
REPORT OF THE INDEPENDENT AUDITORS

We have audited the financial statements of Byker Community Trust Limited for the year ended 31 March 2016 on pages 15 to 35. 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 Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association'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 12, the Board is responsible for the preparation of the 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 Financial Reporting Council's (FRC'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 Strategic Report to identify material inconsistencies with the audited financial statements. 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 Association's affairs as at 31 March 2016 and of the surplus/deficit for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

In our opinion the information given in the Strategic 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 Co-operative and Community Benefit Societies Act 2014 require 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.

Beever and Struthers
Chartered Accountants and Statutory Auditor
St George's House
215-219 Chester Road
Manchester
M15 4JE

Date: 8-9-2016

BYKER COMMUNITY TRUST LIMITED
STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Turnover	2	9,971,041	9,700,306
Operating expenditure	2	(7,398,999)	(7,252,265)
Operating surplus		**2,572,042**	**2,448,041**
Gain on disposal of property, plant and equipment (fixed assets)	6	184,070	-
Interest receivable		87,615	43,500
Interest payable and financing costs	7	(223,897)	(202,585)
Surplus for the year	8	**2,619,830**	**2,288,956**
Actuarial gain/(loss) in respect of pension schemes		34,000	(153,000)
Total comprehensive income for the year		**2,653,830**	**2,135,956**

The financial statements on pages 15 to 35 were approved and authorised for issue by the Board on 25 August 2016 and were signed on its behalf by:

Board Member: .....

Board Member: M. J. Warren

Secretary: Philip Andrew

The results relate wholly to continuing activities. The notes on pages 19 to 35 form an integral part of these accounts.

BYKER COMMUNITY TRUST LIMITED
STATEMENT OF FINANCIAL POSITION

	Notes	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Fixed assets			
Tangible fixed assets	12	**13,765,926**	**9,137,505**
Debtors due after more than one year	13	**66,377,462**	**69,827,073**
Current assets			
Trade and other debtors	13	4,541,346	4,885,852
Cash and cash equivalents	14	3,158,444	12,690,628
Total current assets		**7,699,790**	**17,576,480**
Less: Creditors: amounts falling due within one year	15	(7,729,426)	(14,975,136)
Net current (liabilities)/assets		**(29,636)**	**2,601,344**
Total assets less current liabilities		**80,113,752**	**81,565,922**
Creditors: amounts falling due after more than one year	16(a)	(70,743,764)	(74,838,764)
Provisions for liabilities			
Pension provision	11 & 18	(142,000)	(153,000)
Total net assets		**9,227,988**	**6,574,158**
Reserves			
Non-equity share capital	19	29	29
Income and expenditure reserve		9,227,959	6,574,129
Total reserves		**9,227,988**	**6,574,158**

The financial statements on pages 15 to 35 were approved and authorised for issue by the Board on 25 August 2016 and were signed on its behalf by:

Board Member: .....

Board Member: .....

Secretary: .....

The notes on pages 19 to 35 form an integral part of these accounts.

BYKER COMMUNITY TRUST LIMITED
STATEMENT OF CHANGES IN RESERVES

	Income and expenditure reserve £	Share capital £	Total £
Balance as at 1 April 2014	4,438,173	23	4,438,196
Surplus from Statement of Comprehensive Income	2,135,956	-	2,135,956
Share capital issued	-	8	8
Share capital redeemed	-	(2)	(2)
Balance at 31 March 2015	**6,574,129**	**29**	**6,574,158**
Surplus from Statement of Comprehensive Income	2,653,830	-	2,653,830
Balance at 31 March 2016	**9,227,959**	**29**	**9,227,988**

The notes on pages 19 to 35 form an integral part of these accounts.

BYKER COMMUNITY TRUST LIMITED
STATEMENT OF CASH FLOWS

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Net cash generated from operating activities (see Note i)	(4,125,910)	10,014,156
Cash flow from investing activities		
Acquisition and construction of housing	(4,786,087)	(7,013,165)
Grants received	-	50,000
Cash flow from financing activities		
New secured loans	-	3,750,000
Repayment of borrowings	(620,187)	
Net change in cash and cash equivalents	**(9,532,184)**	**6,800,991**
Cash and cash equivalents at beginning of the year	12,690,628	5,889,637
Cash and cash equivalents at end of the year	**3,158,444**	**12,690,628**

Note i	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Cash flow from operating activities		
Surplus for the year	2,619,830	2,288,956
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	157,666	99,124
Decrease/(increase) in trade and other debtors	3,794,117	(596,010)
(Decrease)/increase in trade and other creditors	(10,745,311)	8,431,432
Shares issued	-	6
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed assets	184,070	-
Government grants utilised in the year	-	(50,267)
Interest payable	(223,897)	(202,585)
Interest received	87,615	43,500
Net cash generated from operating activities	**(4,125,910)**	**10,014,156**

The notes on pages 19 to 35 form an integral part of these accounts.

Legal Status

Byker Community Trust Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is 17 Raby Cross, Byker, Newcastle upon Tyne NE6 2FF.

1. Principal Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting and are presented in sterling £.

The financial statements have been prepared in compliance with FRS 102 as it applies for the first time to the financial statements for the year ended 31 March 2016.

The Association transitioned from previous UK GAAP to FRS 102 as at 1 April 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and performance is given in note 24. As a public benefit entity, Byker Community Trust Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS102.

Going concern

The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Association have led to a reassessment of the Association's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

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. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Categorisation of housing properties. The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that all assets are held for social benefit.

Other key sources of estimation and assumptions:

Tangible fixed assets

These are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Pension benefits

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The valuations are carried out by the pension fund actuary. Further details are given in note 11.

Impairment of non-financial assets. Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties whose cash income can be separately identified.

During the year the government announced a change in rent policy which resulted in a material impact on the net income expected to be collected in the future for housing properties and the Association have assessed that this represents a trigger for impairment review.

Following a trigger for impairment, the Association perform impairment tests based on fair value less costs to sell or a value in use calculation. Following the assessment of impairment no impairment losses were identified in the reporting period.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grant from the Homes and Communities Agency and other income recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

Service charges
Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges in full consultation with residents.

Loan interest costs
Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Taxation

No Corporation Tax is payable in the surpluses of charitable activities of the Association as it has charitable status recognition from Her Majesty's Revenue and Customs (HMRC). The Association has not carried out any non-charitable activities which may attract taxation charges.

Value Added Tax

All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Association and not recoverable.

Tangible fixed assets and depreciation of housing properties
Tangible fixed assets are stated at cost, less accumulated depreciation.

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

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

Component	Years	Component	Years
Bathroom	25	Avondale House windows and doors	20
Boiler	20	Avondale House digital TV	10
Electricals	25	Avondale House roof	30
External doors	30	Fencing – timber	10
Fabric	30	Doors	20
Flooring	10	Central heating	20
Kitchen	20	Door entry/alarms	20
Roof	40	Passenger lift	20
Solar panels	25	Level access shower	10
Windows	10	Bedroom shower	10
Windows and external doors	30	Stairlift	10
Avondale House environmental	20	Mechanicals	30

Tangible fixed assets and depreciation of housing properties (continued)

As part of the Housing Stock transfer, Newcastle City Council (NCC) has made a commitment to BCT to have the properties refurbished and modernised and brought into a good state of repair. Immediately prior to transfer, NCC contracted with BCT to carry out the refurbishment works on its behalf. NCC's obligation to carry out the works is in effect matched by BCT's obligations to bring the properties into a good state of repair. These works are deemed to increase the net rental income stream and are capitalised.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Social housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Association has a participating interest.

Financial instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method,
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.

2. Turnover, cost of sales, operating expenditure and operating surplus

		2016	
	Turnover £	Operating expenditure £	Operating surplus £
Total (social housing lettings note 3)	9,971,041	(7,398,999)	2,572,042

		2015	
Total (social housing lettings note 3)	9,700,306	(7,252,265)	2,448,041

3. Turnover and operating expenditure

	General Needs £	Total 2016 £	Total (General needs) 2015 £
Income			
Rent receivable net of identifiable service charge	6,924,238	6,924,238	6,774,927
Service charge income	2,862,330	2,862,330	2,803,335
Other grants	107,091	107,091	94,409
Other income from Social Housing Lettings	77,382	77,382	27,635
Turnover from Social Housing Lettings	**9,971,041**	**9,971,041**	**9,700,306**
Operating expenditure			
Management	(2,174,171)	(2,174,171)	(2,008,137)
Service charge costs	(2,591,239)	(2,591,239)	(2,974,103)
Routine maintenance	(1,682,487)	(1,682,487)	(1,651,185)
Planned maintenance	(351,907)	(351,907)	(393,426)
Bad debts	(196,445)	(196,445)	(138,404)
Depreciation of Housing Properties	(157,666)	(157,666)	(48,857)
Other Costs	(245,084)	(245,084)	(38,153)
Operating expenditure on Social Housing Lettings	**(7,398,999)**	**(7,398,999)**	**(7,252,265)**
Operating Surplus on Social Housing Lettings	**2,572,042**	**2,572,042**	**2,448,041**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**(109,451)**	**(109,451)**	**(101,756)**

4. Accommodation owned, managed and in development

	2016 No. of properties		2015 No. of properties	
	Owned	**Managed**	**Owned**	**Managed**
Social Housing (general needs)				
Under management at start of year	1,813	1,770	1,811	1,768
Properties acquired	2	2	2	2
Properties developed	16	16	-	-
Properties sold	(5)	(5)	-	-
Under management at end of year	**1,826**	**1,783**	**1,813**	**1,770**

5. Accommodation managed by others

The PRP owns property managed by other bodies.

	2016 No. of properties	2015 No. of properties
Supported housing and housing for older people	43	43

6. Gain on disposal of property, plant and equipment (fixed assets)

	Others £	Total 2016 £	Total 2015 £
Proceeds of sales	184,070	184,070	-
Less: cost of sales	-	-	-
Surplus	**184,070**	**184,070**	**-**

7. Interest and financing costs

	2016 £	2015 £
Deferred benefit pension charge	4,000	-
On loans repayable within five years	52,198	100,826
On loans wholly or partly repayable in more than five years	167,699	101,759
Total	**223,897**	**202,585**

8. Surplus on ordinary activities

	2016 £	2015 £
The operating surplus is stated after charging/(crediting):-		
Auditors remuneration (excluding VAT)	11,440	8,082
Depreciation of housing properties	157,666	48,857
Surplus on sale of other fixed assets	(184,070)	-

9. Directors' remuneration

	2016 £	2015 £
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	5,000	5,000
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	212,605	200,685
The aggregate compensation paid to or receivable by Directors (key management personnel)	665	355
The emoluments paid to the highest paid Director excluding pension contributions	78,500	74,613
The aggregate amount of Directors or past Directors pensions, excluding amounts payable under a properly funded pension scheme	31,678	30,337

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the PRP of £11,696 (2015: £11,279) was paid in addition to the personal contributions of the Chief Executive.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

10. Employee information

	2016 No.	2015 No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	8.44	6.00

	£	£
Staff costs:		
Wages and salaries	305,844	242,252
Social Security costs	26,669	21,132
Other pension costs	38,532	36,620
Total staff costs	**371,045**	**300,004**

	2016 No.	2015 No.
Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:		
£70,000 - £80,000	-	1
£90,000 - £100,000	1	-

11. Pension obligations

Byker Community trust participates in the Local Government Pension Scheme (LGPS). This is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by South Tyneside Metropolitan Borough Council. The total contributions made for the year ended 31 March 2016 were £59,837, of which employer's contributions totalled £38,532 and employees' contributions totalled £21,305. The agreed contribution rates for future years are 14.9% for employers and range from 6.5% to 9.9% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2014 updated to 31 March 2016 by a qualified independent actuary.

	At 31 March 2016	At 31 March 2015
Rate of increase in salaries	3.4%	3.4%
Rate of increase for pensions in payment / inflation	1.9%	1.9%
Discount rate for scheme liabilities	3.5%	3.3%
Inflation assumption (CPI)	1.9%	1.9%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 March 2016 Years	At 31 March 2015 Years
Retiring today		
Males	23.2	23.1
Females	24.8	24.7
Retiring in 20 years		
Males	25.3	25.1
Females	27.1	27.0

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income at 31 March 2016

	At 31 March 2016 £	At 31 March 2015 £
Employer service cost (net of employee contributions)	57,000	39,000
Past service cost	-	-
Total operating charge	**57,000**	**39,000**
Analysis of pension finance income / (costs)		
Interest on pension liabilities	4,000	3,000
Total amounts charged/credited to financing costs	**4,000**	**3,000**
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial (losses)/gains on pension scheme assets	(10,000)	45,000
Actuarial gains/(losses) on scheme liabilities	44,000	(125,000)
Total actuarial gain/(loss) recognised	**34,000**	**(80,000)**

Movement in deficit during year	At 31 March 2016 £	At 31 March 2015 £
Deficit in scheme at 1 April 2015	153,000	68,000
Movement in year:		
Employer service cost (net of employee contributions)	57,000	39,000
Employer contributions	(38,000)	(37,000)
Past service cost	-	-
Net interest/return on assets	4,000	3,000
Remeasurements	(34,000)	80,000
Deficit in scheme at 31 March 2016	**142,000**	**153,000**

Asset and Liability Reconciliation	At 31 March 2016 £	At 31 March 2015 £
Reconciliation of liabilities		
Liabilities at start of period	759,000	552,000
Service cost	57,000	39,000
Interest cost	25,000	25,000
Employee contributions	21,000	19,000
Remeasurements	(44,000)	125,000
Benefits paid	(1,000)	(1,000)
Past Service cost	-	-
Curtailments and settlements	**817,000**	**759,000**
Reconciliation of assets		
Assets at start of period	606,000	484,000
Return on plan assets	21,000	22,000
Remeasurements	(10,000)	45,000
Employer contributions	38,000	37,000
Employee contributions	21,000	19,000
Benefits paid	(1,000)	(1,000)
Assets at end of period	**675,000**	**606,000**
Actual return on plan scheme assets	**11,000**	**67,000**

12. Tangible fixed assets

Housing Properties

	Social Housing Properties for letting completed £	Social Housing Properties for letting under construction £	Total Housing Properties £
Cost			
At start of the year	2,478,572	6,855,366	9,333,938
Additions to existing properties	1,592,784	3,129,488	4,722,272
Properties acquired	63,815	-	63,815
At end of the year	**4,135,171**	**9,984,854**	**14,120,025**
Depreciation and impairment			
At start of the year	(196,433)	-	(196,433)
Charge for the year	(157,666)	-	(157,666)
At end of the year	**(354,099)**	**-**	**(354,099)**
Net book value at the end of the year	**3,781,072**	**9,984,854**	**13,765,926**
Net book value at the start of the year	**2,282,139**	**6,855,366**	**9,137,505**

Housing Properties comprise:	**2016** £	**2015** £
Freeholds	**13,765,926**	**9,137,505**

	2016 £	**2015** £
Works to existing properties in the year:		
Components capitalised	4,490,278	6,687,165
Improvement works capitalised	231,994	253,382
Planned maintenance	351,907	393,426
	5,074,179	**7,333,973**

13. Trade and other debtors

	2016	2015
	£	£
Rent arrears	1,255,337	1,189,560
Less: provision for bad debts	(563,014)	(506,781)
Other debtors	343,862	425,115
Prepayment and accrued income	55,550	22,572
Obligation under Development Agreement	3,449,611	3,755,386
Debtors due within one year	**4,541,346**	**4,885,852**

	2016	2015
	£	£
Amounts falling due after more than one year		
Other debtors	94,500	94,500
Obligation under Development Agreement	66,282,962	69,732,573
Debtors due after more than one year	**66,377,462**	**69,827,073**

14. Cash and cash equivalents

	2016	2015
	£	£
Cash at bank	3,158,444	12,690,628
Total cash and cash equivalents	**3,158,444**	**12,690,628**

15. Creditors: amounts falling due within one year

	2016	2015
	£	£
Loans and overdrafts	-	11,881
Trade creditors	4,222,923	11,088,260
Rents and service charges paid in advance	56,892	119,609
Obligation under Development Agreement	3,449,611	3,755,386
Total creditors: amounts falling due within one year	**7,729,426**	**14,975,136**

16(a). Creditors: amounts falling due after more than one year

	2016	2015
	£	£
Loans (note 16b)	3,980,802	4,600,991
Deferred capital grant (note 17)	480,000	505,200
Obligation under Development Agreement	66,282,962	69,732,573
Total creditors: amounts falling due after more than one year	**70,743,764**	**74,838,764**

16(b). Debt analysis

	2016 £	2015 £
Loans repayable by instalments:		
In one year or more but less than two years	-	12,439
In two years or more and less than five years	-	40,938
In five years or more	-	547,614
Loans not repayable by instalments:		
In five years or more	3,980,802	4,000,000
Total loans	**3,980,802**	**4,600,991**

Loans are secured by specific charges on the Associations individual housing properties. The loans are repayable quarterly at rate of interest of 3.8429% and are due to be repaid in 2025.

The interest rate profile of the Association at 31 March 2016 was:

	Total £	Fixed rate £
Instalment loans	**3,980,802**	**3,980,802**

At 31 March 2016 the Association has the following borrowing facilities:	£
Undrawn committed facilities	**2,000,000**
Undrawn facilities	**20,000,000**

17. Deferred capital grant

	2016 £	2015 £
At start of the year	505,200	94,409
Grant received in the year	-	505,200
Cleared to reserves in the year	-	(94,409)
Released to income in the year	(25,200)	-
At the end of the year	**480,000**	**505,200**

	£	£
Amount due to be released < 1 year	-	25,200
Amount due to be released > 1 year	480,000	480,000
Total	**480,000**	**505,200**

18. Provision for liabilities and charges

	Pension £
At the start of the year	(153,000)
Re-measurement changes	11,000
At the end of the year	**(142,000)**

19. Non-equity share capital

	2016	2015
Allotted Issued and Fully Paid		
At the start of the year	29	23
Issued during the year	1	8
Redeemed during the year	(1)	(2)
At the end of the year	**29**	**29**

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid.

20. Capital commitments

	2016 £	2015 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	1,907,947	4,805,273
Capital expenditure that has been authorised by the Board but has not yet been contracted for	5,650,921	6,384,114
Total	**7,558,868**	**11,189,387**
The Association expects these commitments to be financed with:		
Capital grants and contributions	-	7,853
Committed loan facilities	7,558,868	11,181,534
Total	**7,558,868**	**11,189,387**

21. Grant and financial assistance

	2016 £	2015 £
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	480,000	505,200
Recognised as income in statement of Comprehensive Income	25,200	505,200

22. Related parties

The following are related parties:

- The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. Rent charged to the Tenant Board members was £32,722 (2015: £29,694). There are £616 arrears on their tenancies at the reporting period end (2015: £492).
- Related party balances are not secured.

23. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measure at amortised cost	4,344,681	13,915,589
Financial liabilities		
Financial liabilities measured at amortised cost	8,740,617	16,420,345

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors, accrued income.

Financial liabilities measured at amortised cost comprise convertible loan stock, irredeemable preference shares, bank loans and overdrafts, trade creditors and other creditors.

24. First time adoption of FRS 102

On adoption of FRS 102 the Association has restated the comparatives, the impact on reserves is as follows:

	Reserves as at transition date 1 Apr 2014 £	Surplus Year ended 31 Mar 2015 £	Reserves as at 31 Mar 2015 £
As previously stated under former UK GAAP	2,313,809	2,041,547	4,355,356
Transitional adjustments			
Adjustment for non-government grant to reserves	2,217,799	94,409	2,312,208
Additional depreciation	(93,435)	-	(93,435)
As stated in accordance with FRS102	**4,438,173**	**2,135,956**	**6,574,129**