



Annual Financial Statements
Year ended 31st March 2012

Homes & Communities Agency Registration Number: 4569

Company Information

Board Members

Council Nominees	Janice Long Benjamin Ogunro Reginald Colwill Lesley Jones Bobby Thomas	Resigned 07.07.11 Appointed 07.07.11
Resident Members	Joyce Baldy-Gray Karin Jaeger Dennis Woolcock Chirag Pandya David Unwin Brian Litchfield Shaidah Ramzan	Resigned 31.07.11
Independent Members	Kathy Ellison, Chair Annette Collins David Offenbach Colin Moone	
Executive Team	Gerry Doherty Gary Chase Ian Warner	Interim Chief Executive Director of Finance (Resigned 31.07.11) Interim Director of Finance (Appointed 01.08.11)
Company Secretary	Linda Footer	
Registered Office	Chancel House Neasden Lane London NW10 2UF	
Registered number	04533752	
Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT	
Bankers	National Westminster Wembley Park Branch 15 Bridge Road Wembley Park Middlesex HA9 9AE	
Solicitors	Winckworth Sherwood 5 Montague Close London SE1 9BB	

Operating Financial Review

The Board is pleased to present the financial statements of Brent Housing Partnership Limited for the year ended 31st March 2012.

Principal Activities

Brent Housing Partnership Limited (the Company) is a local authority controlled company of the London Borough of Brent (the Council) established with no share capital and limited by guarantee.

The Company manages and maintains Council properties on behalf of the Council with the primary goal of providing an excellent housing management service to all our service users. This includes letting void properties and carrying out a full repairing service to council properties.

In addition the company is a landlord in its own right having acquired 306 properties up to 31st March 2012 which are a mixture of social and market rented properties. Of these, 103 social rented properties were acquired in 2011/12. These new units will generate cash income for many years to come, as well as increasing the number of properties available for affordable housing, thereby fulfilling an urgent need.

On 1st April 2011, the Company received 'Registered Provider' status from the Tenant Services Authority (TSA) whose legal responsibilities transferred to the Homes & Communities Agency in April 2012.

The Company is paid a management fee by the Council to manage the budgets associated with the above functions on their behalf. The budgets amounted to £16.6 million revenue and £16.5 million capital in 2011-2012.

Review of Risks facing the Company

The Company made a loss after taxation of £1,140,508 in 2011-2012 compared with a profit of £4,450,906 in 2010-2011.

The Company has entered into additional loan facilities in order to finance the continued acquisition of new properties. As at 31st March 2012, loan facilities totalled £72,066,494 of which £44,502,932 had been drawn down.

The Pensions liability continues to impact on BHP's Balance Sheet and this is the reason for negative reserves on the face of the Balance Sheet.

The Company has produced income from other external sources of £2,379,055 (£1,450,802 in 2010-2011) from activities including consultancy services.

BHP has added to its portfolio of properties and by the end of March 2012 owned 306 dwellings; 236 for social rent, 45 market rent and 25 intermediate

rent. A further 25 dwellings have been added since March 2012 following the completion of a newly built development of one and two bed flats.

Until the end of March 2012, BHP was regulated against the TSA's standards, which were developed in consultation with residents, for our social housing. The regulatory responsibilities have been transferred to the HCA from April 2012 who have retained the standards set by the TSA.

The Brent Direct Leasing scheme (BDL) whereby the Company provides Housing Management Services for properties leased to the Council by private landlords continues to provide additional income. In 2011-2012 the scheme provided the Company with £457,070 additional income (£413,313 in 2010-2011).

Future Developments

A new management agreement with the Council will commence in April 2013. The current agreement which runs out at the end of September 2012 will be extended until the new agreement starts.

Review of Financial Risks

Income on BHP owned stock

On 8th March 2012 the Welfare Reform Act received Royal Assent. The Act legislates for the biggest change to the welfare system for over 60 years.

Universal credit will come into effect in April 2013, which will cap overall welfare benefits and reduce the amount of housing benefit payable. In addition, tenants will be paid the benefit directly which will present risks for rental income recovery and sustaining tenancies. BHP Officers are currently developing a revised Income Recovery strategy.

Board members approved a revised risk rating from High/Low to High/Medium at the September 2011 board meeting to take account of the potential impact of welfare benefit changes, and proposals for discontinuing the direct payment of housing benefit to landlords.

Loans

Nature and Context of the Risk – BHP has an £18M loan facility with Brent Council for the purchase of Granville New Homes (GNH) and agreed additional facilities of £54m to assist in purchase of dwellings in connection with the Settled Homes Initiative (SHI). The loans are free of the normal covenants concerning loan to value ratios but nevertheless are a risk to the business, requiring a contribution from BHP reserves over a period of time.

Impact of Loan Default: High

The potential for loan default is higher in the early years as this is the period when the business plan model as regards income and income collection/voids is being established. Failure to pay the loan would result from either/or failure to establish an adequate net income stream from the rent roll and the inability of BHP to manage its core finances to ensure there are sufficient surpluses to manage problems associated with assets funded by loans.

Likelihood of Loan Default: Low

The business plan was drawn up with the assistance of professional advisors. In drawing up the business plan and agreeing loan agreements it was agreed with the Council that BHP's contribution would be capped and if this was potentially to be exceeded then BHP would be able to sell void properties to generate cash. The ability to sell void properties is also permitted where BHP requires the cash to make a loan obligation. This should only be used as a 'last resort'.

Mitigation Strategy: The Director of Finance is implementing a Treasury Management policy that minimises recourse to council loans that will reduce interest payable.

Deflation

Nature and Context of the Risk – The business plan is predicated on a base inflation rate (RPI) of 2.5% throughout that plan. This is the general social housing sector business plan model assumptions. Rents are predicated on a rise of RPI + 0.5% reflecting government's view that real wage increases are generally prevalent in the economy over the longer term and social housing rents should increase broadly in line with wages. Market rents have a differing pattern of movement based upon supply and demand. However it is considered prudent to adopt the social housing model for these dwellings.

Impact of Deflation: High

For the purposes of this exercise deflation is where there is a sustained period in the economy where the overall level of prices are falling – i.e. the RPI is less than zero. Given the business plan is predicated on fixed interest council loans of 5% and 6% and rental income based upon RPI + 0.5%, even short periods would cause a potential problem on the business plan. Moreover, as our management fee increases as an RPI element then it is likely that BHP surpluses would fall in cash terms.

Likelihood of Deflation: Low

It is unlikely that there will be a sustained period of deflation. Nevertheless, even short periods of deflation could have a material adverse effect upon the business plan as unless the deflationary periods are compensated by corresponding increases inflation over and above that used in the financial model then the business plan will be short of cash. This ultimately can only be

managed by BHP continuing to make operating surpluses and the ability to sell void dwellings to generate cash.

Mitigation Strategy: To ensure BHP continues to make operating surpluses as a potential contingency to manage risks.

Review of Strategic Risks

Public Spending Cuts

Nature and Context of the Risk – BHP generally receives its resources from the Council in two ways, from the HRA and through the Council's capital programme. A small amount of net resources is generated through other BHP activities, e.g. consultancy services to other housing organisations. BHP as a company is at risk directly through reductions in the management fee but also through reductions in overall resources for providing services. Reductions in overall resources for services will result in less customer satisfaction which will inevitably affect BHP's reputation as the Council's managing agent.

It is generally agreed that the macro-economic position of the UK economy is not particularly strong, necessitating reductions in government borrowing/expenditure. This is likely to adversely impact on resources available for social housing generally and council housing in particular. The impact of reductions on council housing may be mitigated by the new self-financing HRA which will take effect during 2012-2013 and through proactive measures by BHP to reduce staffing costs.

Impact of Change in Government Policy: High

Likelihood of Change: High

Mitigation Strategy: During the year BHP has carried out a whole organisation restructure resulting in voluntary and compulsory redundancies achieving a reduction of 12% in annual staffing costs to offset reductions in the Management fee payable by the council.

Review of Operational Risks

Health and Safety Systems

BHP continues to be firmly committed to providing a robust health and safety management system which ensures the safety of its employees and residents, through a structured and continuous program of improvements.

To ensure the resilience of BHP's health and safety management system, BHP has reviewed and amended where reasonably practicable comprehensive policies, procedures and working practices to minimise risks to employees, council tenants and leaseholders and anyone we come into contact with.

Likelihood of Failure: Medium

Mitigation Strategy: Regular risk assessments and follow up actions.

Health and Safety Responsibilities

Nature and Context of the Risk – BHP as the landlord's agent takes 'day to day' responsibility for Health and Safety matters. BHP also advises the Council, in its capacity as the landlord. Whilst BHP may take responsibility for its actions as the Council's managing agent, as the landlord Brent Council is ultimately responsible for Health and Safety and is legally unable to absolve themselves from this responsibility. It should be noted that failure to address appropriately Health and Safety could result in officers, board members, the company and indeed Brent Council being held liable for failings in criminal terms.

Impact of Failure to appropriately Identify Responsibilities

It is important that BHP has appropriate policies and procedures in place that are agreed with the Council. A failure to identify and document responsibility both at an operational, senior management and board level will have the potential to seriously undermine BHP's resolve to be a compliant. Moreover inadequate agreed accountabilities/responsibilities could potentially result in action being taken by the regulatory authorities if a material Health and Safety 'incident' occurred. Failure to deal with Health and Safety could potentially damage the business.

Likelihood of Failure: Medium

Mitigation Strategy – Following the award of the highest rating of 5 stars from the British Safety Council in 2011, BHP submitted an application in February 2012 to The Royal Society for the Prevention of Accidents, (RoSPA) to have our H&S management systems evaluated and received a Gold Award for occupational health and safety from RoSPA. This award will be used as a benchmark from which BHP will submit individual applications from the major resident impact services such as Gas safety, Electric safety, Fire Safety management and Asbestos management during 2012/13.

Health and Safety Resources

It is anticipated that in the short term, scarce capital resources can be redirected to Health and Safety work but in the longer term BHP will need assurances from the Council that capital funding will be made available. If funding was not made available then BHP must make it clear that responsibility lies with the landlord.

Likelihood of Lack of Resources: Medium

Mitigation Strategy: To inform and agree with the Council what can be achieved with resources available and to ensure that Brent takes responsibility for Health and Safety issues that cannot be addressed due to lack of capital resources.

Investment Deficit

Risk Owners – The Chief Executive/BHP Board

Board members have been advised about the considerations related to the determination of the final settlement of the Housing Revenue Account, and the implications for future investment in the Council's homes. A longer term strategy is being developed in liaison with Council officers which will pay regard to BHP's draft five year Asset Management strategy.

Other than in the case of immediate Health and Safety works failure to carry out capital works at the appropriate time will have an incremental rather than an immediate effect.

Likelihood of Lack of Resources: Medium

Mitigation Strategy: A regular update is included as a standing item on the senior management team's agenda. In addition a regular report on Health and Safety is received by the Service Delivery sub committee.

Key Performance Indicators

Housing Management Indicators	2011-12 actual	2010-11 actual
Rent collected by the local authority as a proportion of rent arrears owed on HRA dwellings	98%	98.0%
Rent arrears of current tenants as a proportion of the rent roll	1.9%	2.1%
Percentage rent loss through void properties	0.8%	1.0%
Number of racial incidents reported and percentage which resulted in further action	100% (3/3)	100% (5/5)
Number of ASB cases responded to within time scale (5 days)	97%	100% (314/314)

Brent Housing Partnership

Annual Report and Accounts 2011-2012

Technical Indicators	2011-12 actual	2010-11 actual
Percentage of repairs for which appointments were made and kept (excluding emergencies)	99.9%	99.1%
Percentage of repairs finished on first visit	92%	94%
End to end time for all repairs undertaken	5.54	9.51
Average number of days taken to relet council housing	27	27
Ready to Let time (days)	21	23
Percentage of new tenants satisfied with the property	93%	94%
Percentage of properties with a gas appliance that have a valid gas certificate	100%	100%

Other Indicators
<ul style="list-style-type: none"> • Decent homes – There were 33 non-decent homes at the end of 2011-2012 compared to 49 non-decent homes at the end of 2010-11.
<ul style="list-style-type: none"> • SAP Rating – BHP's housing stock energy report for 2011-12 showed an increased rating of 67.9 compared to 65.9 in the previous year.
<ul style="list-style-type: none"> • Complaints - The percentage of Stage 2 complaints responded to within 20 days was 75% in 2011-12 compared to 89% in the previous year. The percentage of Stage 1 complaints responded to within 15 working days was 93% for 2011-2012 compared to 94% in 2010-2011. The performance for responding to members (MPs and Councillor) enquiries remained the same as the previous year at 94%.

BHP Owned Homes

During 2011/12, BHP added 103 units to the number of directly owned homes, with a further 25 units constructed at Chapter Road, Dollis Hill completed in June 2012 offering a range of tenures to help meet housing need in Brent. BHP is the largest property owning ALMO in the UK.

Corporate Governance

ALMO Review

In view of the government's reforms of the social housing sector, including the move to a self-financing HRA and the fact that the management agreement between BHP and the council expires in the autumn of 2012, the Council commissioned an independent review of BHP by Navigant Consulting during the year to test the most cost effective and efficient arrangements for the future delivery of the council's housing management service.

Navigant's review considered a number of different options for the future delivery of housing services but only two were considered to be economically viable – retain BHP but as an enhanced 'optimised' (more efficient model) or direct management by the council. The Council's Executive in July 2011 approved the option to retain BHP as an 'optimised' ALMO model subject to consultation with residents. Consultation was undertaken during February and March 2012 and residents voted overwhelmingly in favour of retaining BHP.

Committees and membership

One tenant member resigned in July 2011 and was not replaced due to a decision to reduce the overall size of the Board during 2011-2012 from 15 to 12 members to bring BHP in line with the size of boards of many similar organisations.

BHP's main Board is made up of the registered directors of the Company and comprises 6 residents (5 tenants and 1 leaseholder), 4 council nominees and 4 independent members. A full list of the directors is shown on page 2. The main Board must meet at least quarterly and during the financial year 2011-2012 met 8 times including an AGM in September 2011. It is responsible for strategic decisions such as managing the Company and, as the ultimate decision making body, it is also the focus of accountability for the Council as the sole shareholder.

Following the recommendation by the Council's Executive in July 2011, a governance review of BHP was undertaken focusing on the board constitution and make up, community engagement and consultation arrangements and council liaison mechanisms. A number of recommendations for improvements in the organisations governance arrangements will be implemented during 2012-2013.

The Board Remuneration Panel held two meetings in September 2011 and April 2012 to determine which Board members met the eligibility criteria for the award of Board member payments. At the September 2011 meeting the Panel reviewed the contribution and personal circumstances of each Board member and awarded payments to 8 Board members and 2 co-opted members for the six month period from April 2011 to September 2011. At the

April 2012 meeting the Panel awarded payments to 7 board members and 1 co-opted member for the period October to March 2012.

The Board has reduced its previous 6 sub committees to 4 merging the New Homes and Development sub committees into the Service Delivery sub committee. The sub committees are:

Finance and Audit

This sub committee has full delegated powers to monitor and assess the finances of the Company, to approve the budgets and to receive internal and external audit reports and review the company's risk map. The membership of this sub committee, for this period, consisted of 7 board members (4 independent members, 3 resident members and 1 co-opted member who has specialised financial experience). The Interim Director of Finance attends all meetings in a non-voting capacity.

Ethics and Standards committee is part of the Finance & Audit sub committee which meets annually to review, develop and monitor the Company's Code of Conduct for Board Members and any other relevant ethics or standards documents. In addition the committee follows a detailed procedure when hearing allegations against Board Members. The procedure is designed to ensure that the Ethics and Standards committee has an effective, fair and transparent hearing process and to assist Board Members who are the subject of a complaint. The procedure is the same for all Board Members and co-opted Members and mirrors that being used by the Council. To date there have been no complaints or allegations against Board Members.

Service Delivery

The main role of this sub committee is to monitor key performance delivery and business objectives and determine any corrective actions necessary. It is also responsible for reviewing the Company's strategy and capital programme. The membership of this sub committee, for this period, consisted of 8 Board members (1 independent member, 2 council members and 5 resident members). The Interim Chief Executive and Heads of Departments attend as required in a non-voting capacity.

The Community Fund Panel is part of the Service Delivery sub committee. Each year a fund of £30,000 is delegated to the Community Fund Panel to award grants to community organisations that carry out projects which benefit Brent council tenants. Individual grants up to a maximum of £5,000 can be awarded. During the year the Panel awarded grants actually totalling £30,000 to 14 community organisations. The membership of the Panel for this period consisted of 6 Board members (2 independent and 4 resident members).

Personnel – Remuneration

This sub committee has delegated authority to approve changes to the terms and conditions of services for the Company staff. It also has a role in reviewing human resources policies and procedures, staff training plans, staff remuneration and the employee relations machinery. The membership of this sub committee, for this period, consisted of 7 Board members (1 council member, 1 independent member and 5 resident members). The Head of Corporate Services attends all meetings in a non-voting capacity.

Board Remuneration

This sub committee has delegated authority to approve annual payments to Board members based on a policy and terms of reference agreed by the main Board. The membership of this sub committee for this period consisted of 5 Board members (2 independents, 1 council member and 2 resident members).

Executive Team

The executive officers who currently form the Company's Executive Team are listed on page 1. They act as executives within the authority delegated to them by the Main Board. The detailed scrutiny of performance, the development of policy and procedures, and the approvals of expenditure within budget are duties carried out by the Executive Team, which meets every 2 weeks. Executive Team meetings are also attended by Heads of Departments.

Insurance

The Company maintains insurance policies for members of the Main Board, the Executive Team and other employees against liabilities in relation to the Company. Qualifying third party indemnity provisions for the benefit of all directors was in force at the time during the financial year ending 31st March 2012.

FRS 17 Disclosure and Pension Fund Information

The Company fully complies with Financial Reporting Standard (FRS) 17 in its 2011/12 financial statements. This encompasses recognising the movement in the pension fund in the profit and loss statement as well as incorporating the pension fund liability at the end of the period under review into the balance sheet.

Auditors

PricewaterhouseCoopers LLP has been appointed as the Company's auditors. The appointment was confirmed at the AGM on 29th September 2011.

Statement of Directors' Responsibilities

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

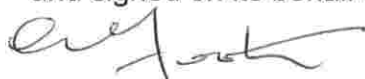
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The report of the directors was approved by the Board on 13 September 2012 and signed on its behalf by:



Linda Footer
Company Secretary

STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, used economically, efficiently and effectively, and that there are arrangements to ensure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Board is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Company's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Company's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The system of internal control has been in place throughout the year and up to the date of approval of the annual report and accounts.

The Internal Control Environment

Finance and Audit Sub Committee

The Board had established a Finance and Audit sub committee; the terms of reference, were revised in September 2006 and reflect good local authority practice and the Institute of Chartered Accountants' guidance. The meetings are attended by the Chief Executive, the Director of Finance and other members of the Senior Management Team as required.

This Committee was responsible for reviewing the adequacy and effectiveness of the Company's systems of internal controls and reporting conclusions to the Board. It recommends to the Board the appointment of both the internal and external auditors, and reviews their performance and receives reports from them.

Internal Audit Function

During 2011/12 the internal audit function was provided by Brent Council. The Internal Audit Senior Manager has direct access to the Chair of BHP,

Finance and Audit sub committee members, the Chief Executive and members of the Executive Management Team in appropriate circumstances. Internal Audit provides the following information to the sub committee:

- Assessments of the adequacy and effectiveness of the Company's systems of internal control, based on the work of internal audit;
- Periodic reports on significant control issues and potential for improving risk management and control processes;
- Peer comparison of operations and controls within similar organisations; and
- Annual audit opinion on the effectiveness of BHP's internal control framework.

Brent Council's Counter Fraud Team is retained to carry out investigations into allegations of fraud and the detection of fraud.

External Audit

PricewaterhouseCoopers LLP (PwC) were reappointed as external auditors of the Company by resolution on 29 September 2011 for the year ending 31 March 2012. They have a statutory responsibility to report to the Board whether, in their opinion, the financial statements give a true and fair view of the state of the Company's affairs in accordance with UK GAAP, and whether they have been properly prepared in accordance with the Companies Act 2006.

At the conclusion of the annual audit, PwC prepared a report to members that included comments on matters such as the results of audit examinations, accounting issues raised and the qualitative aspects of accounting practices and financial reporting, accounting procedures and internal financial controls.

Risk Management

The Finance and Audit sub committee reviewed the risk management framework and process and considered its adequacy. BHP has adopted the principles of risk management in order to protect the health and welfare of its employees and the people it serves, to protect its property, assets and other resources and to maintain its reputation and good standing in the wider community. In order to develop the risk management culture BHP:

- Has adopted a risk management strategy; and
- Regularly updates the risk map which identifies a uniform procedure for the identification, analysis, management and monitoring of risk.
- During the integration with the council a separate risk map was maintained

Review of Effectiveness

BHP's Board, formally reviews the effectiveness of the system of internal control on an annual basis. There is an on-going review of the effectiveness of the system of internal control that is informed by the work of the internal

auditors, the Councils monitoring function and the executive managers within the Company who have responsibility for the development and maintenance of the internal control environment. This process includes implementing recommendations by the external auditors and other review agencies and inspectorates.

During 2011-2012 there are a number of areas where improvements in effectiveness have been implemented:

- Continual reviews of the 2011/12 budgets through monthly management accounts to ensure resources are directed to improve services to customers and make required efficiency savings;
- Continuing with the whole organisation restructure necessitating a programme of compulsory redundancies. This will result in significant savings for the organisation which will allow BHP to remain an economically viable organisation;
- A Health and Safety Management System Audit by ROSPA, resulting in the highest gold award and the opportunity to submit high risk key customer service areas for inspection to ROSPA such as gas servicing, fire safety, electrical testing, and asbestos management;
- 100% gas safety inspection certificates achieved;
- A reduction in rent arrears as a proportion of the rent roll from 2.1% in 2010/11 to 1.9% in 2011/12.
- A significant reduction in the end to end time for all repairs undertaken from 9.5 days to 5.5 days.

Significant Internal Control Issues

No major deficiencies of internal control were found during 2011/12 or during the time following the end of that financial year up to the date these financial statements were signed.

Chair of the Board:



Date:

13th September 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRENT HOUSING PARTNERSHIP LIMITED

We have audited the financial statements (the "financial statements") of Brent Housing Partnership for the year ended 31st March 2012 which comprise the Company Income and Expenditure Account, the Company Balance Sheet, the Company Cash Flow Statement, the Company Statement of Total Recognised Gains and Losses and the related notes. 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).

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report, set out on pages 1 to 14, 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 Company's affairs as at 31st March 2012 and of the Company's income and expenditure and cash flows 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, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Philip Cliftlands (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 18 September 2012

Brent Housing Partnership Limited

Income and Expenditure account for the year ended 31st March 2012

	Note	2012 £	Restated 2011 £
Turnover	2/3	33,368,010	36,318,063
Operating costs	5/6	(32,784,960)	(30,839,454)
Operating surplus		583,050	5,478,609
Interest receivable and other income	10	-	-
Interest payable and similar charges (includes "Other finance costs")	22	(1,723,558)	(1,027,703)
(Deficit)/surplus for the year before taxation		(1,140,508)	4,450,906
Taxation on (deficit)/surplus on ordinary activities	13	-	-
(Deficit)/surplus for the year after taxation		(1,140,508)	4,450,906
Revenue reserve brought forward	23	(6,075,474)	(11,620,562)
Reserve movement	23	(1,685,809)	1,094,184
Revenue reserve carried forward		(8,901,791)	(6,075,472)

The turnover and (deficit)/surplus for the current and previous year relate to continuing activities. There is no difference between the (deficit)/surplus on ordinary activities before taxation and the retained (deficit)/surplus for the year and their respective historical cost equivalents.

Statement of total recognised gains and losses for the year ended 31st March 2012

	Note	2012 £	2011 £
(Deficit)/surplus for the year		(1,140,508)	4,450,906
Revaluation of investment properties	23	-	1,084,184
Actuarial (loss)/gain on the pension scheme	29	(1,347,000)	10,000
Total recognised (deficit)/surplus for the year		(2,487,508)	5,545,090

During the year the Company has recognised a prior year adjustment of £338,809 in relation to the adoption of SORP 2010 (note 30).

Brent Housing Partnership Limited

Balance Sheet as at 31st March 2012

	Note	2012 £	Restated 2011 £
<i>Fixed assets</i>			
Housing properties at cost/valuation - Housing properties held for investment	14	5,470,000	16,795,000
Housing properties at cost/valuation - Social housing properties	14	40,498,491	9,971,819
Social housing and other grant	14	(874,125)	(1,808,209)
Depreciation	14	(19,820)	(51,936)
Other tangible fixed assets	15	68,349	100,625
Total Fixed Assets		45,142,895	25,007,299
Investments:	26	1	1
		45,142,896	25,007,300
<i>Current assets</i>			
Stocks	16	681,397	352,191
Debtors	17	4,911,511	4,191,667
Cash at bank and in hand	18	1,733,502	3,326,570
		7,326,410	7,870,428
Creditors: amounts falling due within one year	19	(5,332,123)	(5,835,583)
<i>Net current assets/liabilities</i>		1,994,287	2,034,845
Total assets less current liabilities		47,137,183	27,042,145
Provisions for liabilities	20	-	-
Creditors: amounts falling due after more than one year	19	(43,122,974)	(21,967,617)
<i>Net assets before pension liabilities</i>		4,014,209	5,074,528
Pension liabilities	29	(12,916,000)	(11,150,000)
Net liabilities		(8,901,791)	(6,075,472)
<i>Capital and reserves</i>			
Revenue reserves	23	5,505,209	6,984,528
Pension reserves	23	(14,407,000)	(13,060,000)
		(8,901,791)	(6,075,472)

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, the London Borough of Brent.

The directors have received confirmation that the London Borough of Brent intend to support the company for at least one year after these financial statements.

The Financial Statements on pages 17 to 31 were approved by the Board on 13 September 2012 and signed on its behalf by the Chair.

Kathy Ellison
Chair of the Board



Brent Housing Partnership Limited**Cash flow statement for the year ended 31st March 2012**

	Note	2012 £	2011 £
Net cash inflow from operating activities	A	22,208,572	14,049,585
Returns on investment and servicing of finance			
Interest receivable and similar income	10	-	-
Interest payable and similar charges	22	(1,617,558)	(757,703)
Taxation	13	-	-
Capital expenditure	B	(21,895,737)	(10,643,002)
(Decrease)/increase in cash		<u>(1,304,723)</u>	<u>2,648,880</u>

Brent Housing Partnership Limited

Notes to the cash flow statement

	2012 £	2011 £	
A. Reconciliation of operating profit/(loss) to net cash inflow from operating activities:			
Operating Profit before interest and tax	583,050	5,478,609	
Pension fund interest	(106,000)	(270,000)	
Add back non-cash items:			
Depreciation of tangible fixed assets	519,732	75,021	
Impairment	1,189,943	-	
Adjustments to fixed assets	-	-	
Movement in provision	-	(400,000)	
Net movement from pension transactions	419,000	(3,230,000)	
	<u>2,605,725</u>	<u>1,653,630</u>	
(Increase)/decrease in stocks	(329,207)	9,896	
(Increase)/decrease in operating debtors	(719,843)	1,013,661	
Increase in operating creditors	20,651,897	11,372,398	
Net cash inflow from operating activities	<u>22,208,572</u>	<u>14,049,585</u>	
B. Capital expenditure:			
Acquisition and construction of housing properties	(26,648,078)	(12,451,211)	
Social Housing and other grants received	4,752,341	1,808,209	
Purchase of other fixed assets	-	-	
Sale of other fixed assets	-	-	
Sale of housing properties	-	-	
Net cash outflow from capital activities	<u>(21,895,737)</u>	<u>(10,643,002)</u>	
Analysis of Net Debt			
	2012 £	2011 £	
C. Reconciliation of net cash flow to movement in net debt			
(Decrease)/ increase in cash in the year	(1,593,067)	2,648,882	
Other non-cash changes	-	-	
Cash outflow from change in loans	(19,926,137)	(13,180,608)	
	<u>(21,519,204)</u>	<u>(10,531,726)</u>	
Net debt at 1 April	<u>(24,476,631)</u>	<u>(15,753,114)</u>	
Net debt at 31 March	<u>(45,995,835)</u>	<u>(26,284,840)</u>	
D. Reconciliation of net debt to related items on the balance sheet			
	1st April 2011 £	Cashflow £	31st March 2012 £
Cash balances	3,326,569	(1,593,067)	1,733,502
Debt falling due within one year	(5,835,583)	1,229,220	(4,606,363)
Debt falling due after one year	(21,967,617)	(21,155,357)	(43,122,974)
Net debt	<u>(24,476,631)</u>	<u>(21,519,204)</u>	<u>(45,995,835)</u>

Notes to the financial statements for the year ended 31st March 2012

1. Accounting policies

Introduction and accounting basis

The financial statements have been prepared on a going concern basis and in accordance with applicable UK GAAP financial reporting standards, the Accounting Requirements for Registered Social Landlords General Determination 2006 ("the Determination"), and the Statement of Recommended Practice: accounting by Registered Social Housing Providers 2010 published in 2010 ("the 2010 SORP"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed assets. The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements except as stated below.

The 2010 SORP has been adopted for the first time in this year's financial statements, with an adoption date of 1 April 2010. The prior year comparatives given within these financial statements are therefore restated where applicable. The impact of this is detailed in Note 30.

These financial statements have been prepared on a going concern basis as the company has the ability to meet debts as they fall due. In the event that additional debts arise as a result of increased contributions or payments required to fund the FRS 17 pension deficit, these will be met by alternative means or an increase in the Council's management fee. It is not expected that the pension fund deficit will crystallise in the foreseeable future.

The financial statements have been prepared on an accruals basis. Assets and liabilities are recognised on BHP's balance sheet when it is probable that future economic benefits will flow and the amounts of the assets and liabilities can be reliably measured. Turnover recognised in BHP's income and expenditure account where the consumption or loss of economic benefits has occurred and can be reliably measured.

Turnover

Turnover represents rents and service charges, other services included at the invoiced value (excluding VAT) of services supplied in the year. Other turnover which stems mainly from Service Level Agreements with London Borough of Brent (the Council) as well as the Brent Direct Leasing scheme is recognised when the turnover is earned and controlled by BHP and can be deployed for the achievement of its objectives. All income is recognised on a receivable basis.

Housing properties

The cost of housing properties comprises their purchase price, together with directly attributable costs in bringing them into working condition for their intended use. The directly attributable costs are the labour costs of own employees arising directly from the construction or acquisition of the property and the incremental costs that would have been avoided only if individual properties had not been constructed or acquired. Interest is capitalised on a fair proportion of the borrowings of the Company as a whole, calculated on the costs incurred during the period of development, less Social Housing Grant (SHG) received. Improvements are capitalised only when they result in an increase in the net rental income, such as a direct increase in rental income, a reduction in future maintenance costs, or in a significant extension of the useful economic life of the property. All other improvement expenditure is charged to the Income and Expenditure account when incurred.

Staff costs

Staff costs include wages and salaries, PAYE, National Insurance contributions, pension costs and any post employment benefits.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost or valuation less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Tangible fixed assets of a value exceeding £1,500 will be capitalised and depreciated according to BHP's depreciation policy.

Land and buildings

Land and buildings comprise mainly rental and investment properties.

Investment properties

Investment property comprises land and buildings not principally occupied by BHP. Investment property is carried at fair value, which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

Savills (L & P) Ltd, who are independent of BHP, formed an opinion on the values in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual as at 31st March 2011.

These valuations will be reviewed annually. Changes in fair values will be recorded in a revaluation reserve.

Social housing properties

This class of asset is made up of social rented properties, intermediate market rented properties, settled homes initiative properties, new builds and equity share schemes and are subject to depreciation over their useful economic life. Details of their valuation are shown in note 14.

Assets under construction

These assets will only be amortised once brought into use.

Assets under construction are valued at historical cost within assets under construction and are not depreciated. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset.

Impairment of properties

Impairment reviews are carried out in accordance with Financial Reporting Standard 11 – "Impairment of Fixed Assets and Goodwill" (FRS 11). The Company's Tangible Fixed Assets held for letting are depreciated over 100 years and are therefore subject to an annual impairment review. An impairment review is carried out on completed schemes, work in progress and land held for future development. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating profit.

Calculations for each scheme are performed by comparing either present value of expected future cash flows or current market value against the carrying values. If the carrying value is greater than the present value of future cash flows or the market value, an impairment provision is made.

The Directors' assessment of impairment notes that the net book value does not materially differ from the carrying amount per the financial statements.

Properties are subject to an annual impairment review. Impairments arise from a loss in economic benefit or service potential. Impairment amounts in excess of revaluation surpluses are charged to operating cost in the income and expenditure account.

Brent Housing Partnership Limited

Depreciation of other fixed assets

Depreciation is charged so as to write down the assets cost to their residual value on a straight line basis over their expected useful economic life, unless otherwise noted below.

Depreciation is calculated as follows:

Furniture, fixtures and fittings	Depreciated at 40% in the first year of the economic life and at 25% for the remainder of the economic life using the reducing balance method
Furniture, fixtures and fittings - short life	Straight line basis over five years
Equipment	Straight line basis over five years

Stocks

Stock has been valued in line with SSAP 9 at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Stocks are valued using the "first in, first out" (FIFO) approach.

Treasury Management

The Company's funding, liquidity and exposure to interest rate risks are managed by the Board. Treasury operations are conducted within a framework of policies and guidelines authorised by the Board. The Company carries only fixed rate borrowings, hence reduced interest rate risks.

Debtors

Debtors are recognised at the amounts receivable as they are due for settlement. Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable, are written off. A provision for doubtful debts is raised where doubts exist as to collection.

Provisions

Provisions are recognised when BHP has:

- A present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

Provisions will be discounted where the effect of discount is material.

Investments

Investments are stated at cost price.

Social Housing Grant (SHG) and other capital grants

Where developments are financed wholly or partly by SHG, the cost of those developments is reduced by the amount of the grant receivable. Where SHG is received on elements or repair expenditure that are charged in the Income and Expenditure account, it is treated as a revenue grant and credited to turnover. At the balance sheet date if the SHG receivable on any development project is greater than gross cost, the difference is included in creditors falling due within one year and shown as SHG in advance. SHG may be repayable in certain circumstances, such as where the development of a property is not completed. If certain developments are funded by other capital grants, these grants are dealt with in a similar manner to SHG.

Pensions Scheme

The company participates in a local government pension scheme (LGPS). The scheme is a defined benefit pension based on a final pensionable salary. The assets of the scheme are held separately from those of the company in an independently administered fund.

Accounting for pensions is in accordance with generally accepted practice, as defined by Financial Reporting Standard 17 - 'Retirement benefits' (FRS 17). This standard replaces the use of actuarial values in a defined benefit pension scheme with a market value approach. The standard requires fluctuations in market values to be reflected in the Statement of total recognised gains and losses and the service cost, interest cost and expected return on scheme assets to be shown in the income and expenditure account.

- In accordance with the requirements of FRS 17, costs are accounted for when committed, regardless of when the benefits are deliverable. The financial statements reflect, at fair value, the assets and liabilities arising from an employer's retirement benefit obligations and any related funding.
- The operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are also recognised in the accounting periods in which they arise.
- The financial statements disclose the cost of providing retirement benefits and the related gains, losses, assets and liabilities. The attributable assets of the scheme are measured, at fair value, at the balance sheet date, and are shown net of attributable scheme liabilities.

Actuarial gains and losses arising from any new valuation, and from updating the latest actuarial variation to reflect conditions at the balance sheet date, are recognised in the Statement of total recognised gains and losses for the year.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Company becomes demonstrably committed to the transaction and recognised in the operating costs at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in the operating costs at that date.

Charges to the Income and Expenditure Account within operating costs are based on a share of current service costs (the increase in future benefits arising from service earned in the current year) rather than employer's contributions.

VAT

The Association's VAT affairs are dealt with under a group registration in the name of Brent Housing Partnership Limited. The company recovers only some proportion of input VAT. Expenditure on its New Home portfolio is therefore shown inclusive of VAT, to the extent that it is not recoverable, with non-attributable input tax recovered being credited against management expenses.

Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provision of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of the London Borough of Brent, whose financial statements are publicly available.

Service Charges

The Company operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used, the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows. Until these surpluses are returned they are held on the balance sheet as a creditor due within one year and a deficit is held as a debtor due within one year.

Brent Housing Partnership Limited

Financial assets

The Company recognises a financial asset when it gains a contractual right to the asset. The exception is where the financial asset is consideration from customers for services provided. In these cases we recognise the financial asset when the revenue recognition criteria are met. The Company removes a financial asset from its balance sheet when it no longer has a contractual right to the asset, or when the asset is transferred to another party. The Company's financial assets are classified as loans and receivables and on initial recognition are measured at fair value. Subsequent to initial recognition the Company's loans and receivables are measured at amortised cost. The Company's financial assets consist of rental, service charge debtors and stock transfer debtor.

Impairment of financial assets

The Company assesses, at each balance sheet date, whether there is objective evidence that its financial assets are impaired. Assets are impaired if the future cash flows associated with the asset have been reduced by events before the balance sheet date, and if the effect on future cash flows can be reliably estimated. Events that could trigger impairments include a breach of terms or default by a counterparty on a contract, significant financial hardship of a counterparty or an emerging pattern of lower than expected recovery on a class of assets. The Company measures the amount of impairment loss as the difference between the asset's carrying amount and the revised recoverable amount. The amount of the loss is recognised in the Company's Income and Expenditure Account in the period of impairment.

Financial liabilities

The Company recognises a financial liability when it becomes a party to the contractual provisions of the financial instrument. The exception is any liability related to the purchase of goods or services in the normal course of the Association's business. In these cases the financial liability is recognised when, and to the extent that, the goods or services are provided. The Association removes a financial liability from its balance sheet, when it is extinguished, i.e. when the obligation in the contract is paid, is cancelled or expires. The Association's financial liabilities are its trade payables, accruals and inter-company loans. On recognition we recognise them at fair value and subsequently at amortised cost.

2. Particulars of turnover, operating costs and operating surplus

Turnover is derived completely from the principal activities of the company. Turnover arises solely within the United Kingdom.

		<u>Turnover</u>	<u>Operating costs</u>	<u>Operating surplus</u>	<u>Operating surplus</u>
		<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>
	Note	£	£	£	£
Social housing lettings	4	1,862,466	(2,369,416)	(506,950)	24,289
Non-social housing activities:					
Market Rent		499,812	(71,516)	428,296	-
Commercial		-	-	-	-
Other		31,005,732	(32,067,587)	(1,061,854)	4,426,617
		<u>33,368,010</u>	<u>(34,508,519)</u>	<u>(1,140,508)</u>	<u>4,450,906</u>
				<u>2012</u>	<u>2011</u>
				£	£

3. Turnover comprises the following elements:

Management fee paid by the Council in respect of Housing management and support services			7,807,000	8,257,612
Other services	8		25,561,010	28,060,451
Total			<u>33,368,010</u>	<u>36,318,063</u>

4. Particulars of income and expenditure from social housing lettings

	2012	2011
	£	£
Rent receivable net of service charges	1,773,367	1,336,720
Service charges receivable	20,475	47,973
Net rental income	<u>1,793,842</u>	<u>1,384,693</u>
Management fees	68,624	-
Revenue grants from local authorities and other bodies	-	-
Turnover from social housing lettings	<u>1,862,466</u>	<u>1,384,693</u>
Services	-	-
Management	-	-
Routine maintenance	-	-
Rent losses from bad debts	-	-
Property lease charges	-	-
Depreciation and impairment charge - housing properties	(1,370,706)	(39,012)
Other costs (including I.C.T.)	(998,710)	(1,321,392)
Operating costs on housing lettings	<u>(2,369,416)</u>	<u>(1,360,404)</u>
Operating (deficit)/surplus on social housing lettings	<u>(506,950)</u>	<u>24,289</u>

Housing Units

	<u>General needs</u>	<u>Intermediate market rent</u>	<u>Other market rent</u>	<u>Total</u>
Housing accommodation:				
Units in ownership 2012	85	176	45	306
Units in ownership 2011	85	70	45	200

Brent Housing Partnership Limited
5. Operating surplus and deficit is stated after charging:

	Note	2012 £	2011 £
Wages and salaries		5,508,811	6,170,327
Social security costs		458,949	474,461
Other pension costs		1,308,149	(2,665,384)
Total staff costs		7,275,909	3,979,404
Training and recruitment expenses		83,820	76,363
Agency and consultancy costs		1,634,605	1,521,262
Supplies and services		4,296,767	4,488,751
Depreciation of tangible fixed assets		231,387	75,021
Auditor's remuneration:			
- Audit services		38,080	30,000
- Non audit services		-	-
Other expenses	9	18,034,449	21,068,653
Impairment of fixed assets	14	1,189,943	-
Movement in provisions	20	-	(400,000)
		32,784,960	30,839,454

6. Operating costs (apportioned by division)*

		2012 £	2011 £
Corporate services		659,350	954,780
Housing management services		4,207,635	3,539,944
Technical services		2,251,784	2,966,435
Finance		1,242,428	1,104,656
Procurement and IT		331,870	372,703
Repairs and voids		1,955,742	2,521,566
Special projects		30,738	87,831
Service level agreements		881,723	798,546
BHP new homes		2,264,015	606,547
Operating costs not apportioned by division**		925,226	(3,182,207)
Total		14,750,511	9,770,801
Other expenses	9	18,034,449	21,068,653
Total operating costs		32,784,960	30,839,454

*Costs apportioned by division include those expenses charged directly to service activities in respect of wages and salaries paid to employees, employer contributions for pensions and National Insurance, and the cost of employing staff from agencies. Costs in respect of supplies and services are also included in the divisional costs.

**Operating costs not apportioned by division consists of overhead expenditure that does not directly relate to individual divisions.

7. Analysis of 2011/12 income and expenditure account by segments

	<u>Company total</u> £	<u>Main operations</u> £	<u>Major works (recharges)</u> £	<u>Repairs and voids (DLO)</u> £	<u>Landlord services</u> £
Turnover	33,368,010	10,714,805	18,034,449	2,256,477	2,362,278
Operating costs	(32,784,960)	(10,535,638)	(18,034,449)	(1,950,858)	(2,264,015)
Operating profit	583,050	179,167	-	305,619	98,263
Interest receivable and similar income	-	-	-	-	-
Interest payable and similar charges	(1,723,558)	(106,000)	-	-	(1,617,558)
(Deficit)/surplus on ordinary activities before taxation	(1,140,508)	73,167	-	305,619	(1,519,295)
(Deficit)/surplus for the financial year	(1,140,508)	73,167	-	305,619	(1,519,295)

8. Other services

	2012 £	2011 £
<i>Other income represents:</i>		
Other income - Council service contracts held in the Company's name	23,181,954	26,609,649
Income from other external sources, including rental income	2,379,056	1,450,802
	25,561,010	28,060,451

9. Other expenses

	2012 £	2011 £
Other expenses - Council service contracts held in the Company's name	18,034,449	21,068,653

10. Interest receivable and other income

	2012 £	2011 £
Interest was received on:		
Bank deposits	-	-

Brent Housing Partnership Limited

11. Employee information

	2012 Monthly average number of employees	2011 Monthly average number of employees
Corporate services	7	7
Housing management services	34	39
Technical services	59	65
Finance	31	34
Procurement and IT	2	8
Special projects	0	2
Governance and communication	17	13
	<u>150</u>	<u>168</u>

This table illustrates the average number of full-time equivalent employees for the reporting period.

Staff costs:

	2012 £	2011 £
Wages and salaries	5,508,811	6,170,327
Social security costs	458,949	474,461
Pension costs	1,308,149	(2,665,384)
	<u>7,275,909</u>	<u>3,979,404</u>

12. Directors' emoluments

The remuneration paid to directors (who for the purpose of this note include the members of the Board and the Chief Executive) is as follows:

	2012 £	2011 £
Gross salary excluding pension and national insurance contributions for:		
Members of the Board:		34,298
Janice Long	2,500	
Benjamin Ogunro	5,000	
Reginald Colwill	-	
Lesley Jones	-	
Bobby Thomas	2,500	
Joyce Baldy-Gray	5,000	
Karin Jaeger	-	
Dennis Woolcock	-	
Chirag Pandya	2,500	
David Unwin	5,000	
Brian Litchfield	-	
Shaidah Ramzan	-	
Kathy Ellison, Chair	7,000	
Annette Collins	-	
David Offenbach	5,000	
Colin Moone	5,000	
Chief Executive		
Gerry Doherty	108,084	104,578
	<u>147,584</u>	<u>138,876</u>

Pension contributions

	2012 £	2011 £
Gerry Doherty	17,077	14,745

13. Tax on (loss)/profit on ordinary activities

The Company made a loss on ordinary activities of £1,140,508 for the 12 months ending on 31st March 2012 (2010/11: profit of £4,450,906).

	2012 £	2011 £
<i>Analysis of charge in year:</i>		
Current tax - UK corporation tax on (loss)/profit for the year	-	-
<i>Factors affecting the tax charge for the year:</i>		
(Loss)/profit on ordinary activities before tax	-	-
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 21% (2010/11 21%)	-	-
Effects of:		
Adjustment to previous year corporate tax	-	-
Total current tax charge	<u>-</u>	<u>-</u>

BHP has carried forward tax losses which could cause a potential deferred tax asset of £238,000 (2010/11 was £110,000). These tax losses are unlikely to be utilised within the next 12 months of the signing of these financial statements. Therefore, the Directors consider it prudent not to recognise a deferred tax asset in the financial statements. The deferred asset would only be recovered in the future if BHP made profits that gave rise to a tax charge greater than the deferred asset.

14. Tangible fixed assets - Housing properties

	<u>Housing properties held for investment</u>	<u>Social housing properties under construction</u>	<u>Social housing properties</u>	<u>Social housing properties furniture, fixtures and fittings</u>	<u>Total</u>
	£	£	£	£	£
Cost or Valuation					
As at 1st April 2011	16,795,000	24,511	9,882,205	65,102	26,766,818
Prior Year Adjustment	(11,325,000)	-	11,325,000	-	-
Restated at 1st April 2011	5,470,000	24,511	21,207,205	65,102	26,766,818
Additions:	-	5,263,403	21,252,451	132,224	26,648,078
Disposals	-	-	-	-	-
Completed	-	(315,174)	315,174	-	-
Valuation adjustments:	-	-	(7,446,405)	-	(7,446,405)
As at 31st March 2012	5,470,000	4,972,740	35,328,425	197,326	45,968,491
Social housing and other grant					
As at 1st April 2011	-	-	(1,808,209)	-	(1,808,209)
Prior Year Adjustment	-	-	1,950,960	-	1,950,960
Restated at 1st April 2011	-	-	142,751	-	142,751
Received	-	(1,078,125)	(3,674,216)	-	(4,752,341)
Disposals	-	-	-	-	-
Completed	-	204,000	(204,000)	-	-
Valuation adjustments	-	-	3,735,465	-	3,735,465
As at 31st March 2012	-	(874,125)	-	-	(874,125)
Accumulated Depreciation & Impairment					
As at 1st April 2011	-	-	(50,465)	(1,471)	(51,936)
Prior Year Adjustment	-	-	(288,344)	-	(288,344)
Restated at 1st April 2011	-	-	(338,809)	(1,471)	(340,280)
Charge for the year	-	-	(180,763)	(18,349)	(199,112)
Impairment provision in year	-	-	(1,189,943)	-	(1,189,943)
Disposals	-	-	-	-	-
Valuation adjustments	-	-	1,709,515	-	1,709,515
As at 31st March 2012	-	-	-	(19,820)	(19,820)
Net Book Value:					
As at 31st March 2012	5,470,000	4,098,615	35,328,425	177,506	45,074,546
As at 31st March 2011	16,795,000	24,511	8,023,531	63,631	24,906,673

Additions to housing properties during the year include no capitalised interest (2011: £NIL).

All social housing properties have been included at valuation. Those reclassified as social housing properties as part of the prior year adjustment were valued by Savills (L & P) Ltd as at 31st March 2011. Social housing properties acquired in the year to 31st March 2012 have been valued by Savills (L & P) Ltd on the basis of Existing Use Value - Social Housing (EUV-SH) with Special Assumptions. The Special Assumptions have been made to reflect the nature of the Company's holding whereby the properties were purchased with a grant and the agreement permits a different structure for the first 15 years to that permitted thereafter. The Special Assumptions are those applied to the 15 year term that departs from EUV-SH, assuming market rents with rental growth capped at RPI and allowing for sales.

In the valuing of the properties, discounted cash flow methodology was adopted and key assumptions included:

	First 15 years	From Year 16
Discount rate	7.0%	5.0%
Long Term annual inflation rate	2.5%	2.5%
Level of annual rent increase	RPI only	RPI + 0.5%
Void and bad debts	7.0%	3.5%

The carrying value of the housing properties that would have been carried forward at historical costs less SHG, depreciation and impairment is as follows:

	2012	2011
	£	£
Historical cost	54,078,717	27,562,863
Social housing grant	(6,560,550)	(1,950,960)
Depreciation and impairment	(2,617,280)	(1,250,421)
	44,900,887	24,361,482

15. Tangible fixed assets - Other fixed assets

	Furniture, fixtures and fittings	Furniture, fixtures and fittings - short life	Equipment	Total Other fixed assets
	£	£	£	£
Cost				
At 1st April 2011	46,638	68,405	81,954	196,998
Additions	-	-	-	-
Disposal	-	-	-	-
As at 31st March 2012	46,638	68,405	81,954	196,998
Depreciation				
At 1st April 2011	(37,784)	(23,706)	(34,882)	(96,373)
Charge for the year	(2,216)	(13,680)	(16,380)	(32,276)
Disposals	-	-	-	-
As at 31st March 2012	(40,000)	(37,386)	(51,262)	(128,649)
Net Book Value				
At 31st March 2012	6,638	31,019	30,692	68,349
At 31st March 2011	8,854	44,699	47,072	100,625

No assets were held under finance leases at 31st March 2012.

The assets portfolio is made up of 45 market rented properties held for investment, 235 social housing properties, 25 intermediate rented properties (included with the social housing properties) and 1 cash incentive - equity share property. Assets under construction relate to the ongoing costs on 25 new developments. All properties are located in North London.

16. Stocks

	2012	2011
	£	£
Raw materials and consumables	107,835	101,971
Work in progress	573,562	250,220
Total stocks	681,397	352,191

17. Debtors

	2012	2011
	£	£
<i>Amounts falling due within one year</i>		
Rental debtors	102,353	16,438
Provision for doubtful debts	-	-
	102,353	16,438
<i>Amounts due from Group undertakings</i>		
Other debtors	3,185,773	1,079,998
The Council	1,325,623	2,589,785
Loans to employees	13,183	4,286
Prepayments and accrued income	284,579	501,160
Total debtors due within one year	4,911,511	4,191,667

18. Cash at bank and in hand

	2012	2011
	£	£
Bank current account	1,732,980	3,325,867
Petty cash	522	702
Total cash at bank and in hand	1,733,502	3,326,569

19. Creditors

	2012	Restated 2011
	£	£
<i>Amounts falling due within one year</i>		
Amounts due to Group undertakings	1	1
Rent in advance	-	37,345
Other creditors	23,288	71,177
The Council	625,752	2,882,631
Loans from the Council	947,497	294,210
Taxation and social security	443,111	455,297
Accruals and deferred income	3,292,474	2,094,922
Total creditors	5,332,123	5,835,583
<i>Amounts falling due after more than one year</i>		
Loans from the Council	43,122,974	21,967,617
	43,122,974	21,967,617

Brent Housing Partnership Limited

	2012	2011
	£	£
Loan repayments are analysed as follows:		
One year	934,314	289,924
Between two to five years	4,288,966	1,312,087
More than five years	38,834,008	20,655,530
Total	44,057,288	22,257,541

No assets were held under finance leases at 31st March 2012 (2011: £NIL).

The loans which are £17,802,000 (Granville New Homes), £7,879,200 (Settled Homes Initiative - Tranche 1) and £20,965,881 (Settled Homes Initiative - Tranche 2) are from Prudential loan facilities agreed with Brent Council to part fund the acquisition of properties by BHP. All of the loans are secured against housing properties. The loan facilities are payable in 30 annual fixed instalments. The £17,802,000 and £7,879,200 loans carry interest at 5% per annual (pro rata on a daily rate) while the £20,965,881 loan carries interest at 6% per annum.

20. Provision for liabilities

	2012	2011
	£	£
At start of year	-	400,000
Increase in provision	-	-
Utilised in year	-	(400,000)
Balance at end of year	-	-

No further provisions were made in 2011/2012.

21. Related party transactions

There are no further related party transactions other than those covered under the FRS 8 'Related party disclosures' regarding disclosure of related party transactions referenced in the Accounting policies in note 1.

22. Interest Payable and Similar charges (Other finance costs)

	2012	2011
	£	£
Interest cost	1,518,000	1,570,000
Expected return on assets	(1,412,000)	(1,300,000)
Interest on pension provision	106,000	270,000
Loan interest charge	1,617,558	757,703
Net finance charge	1,723,558	1,027,703

23. Reserves

	<u>Revenue reserve excluding pension</u>	<u>Pension reserve</u>	<u>Total reserves</u>
	£	£	£
Balance at 1st April 2010	1,449,438	(13,070,000)	(11,620,562)
Retained surplus for the year	5,535,088	-	5,535,088
Net actuarial loss on pensions and other post-retirement benefits	-	10,000	10,000
Balance at 31st March 2011	6,984,526	(13,060,000)	(6,075,474)
Deficit for the financial year	(1,140,508)	-	(1,140,508)
Prior Year adjustments (See note 30)	(338,809)	-	(338,809)
Transfer trading account fund for revaluation	-	-	-
Revaluation of investment properties	-	-	-
Net actuarial loss on pensions and other post-retirement benefits	-	(1,347,000)	(1,347,000)
Balance at 31st March 2012	5,505,209	(14,407,000)	(8,901,791)

24. Capital commitments

	2012	2011
	£	£
Capital expenditure contracted for but not provided for in the financial statements	-	-
Capital expenditure authorised by the Board but not contracted for	-	-

25. Operating lease payments payable within one year of the balance sheet date were in respect of leases expiring:

	Plant & machinery	Land and buildings	Other	Total	Total
	£	£	£	£	£
Within one year	7,978	526,997	41,232	576,207	53,671
Between one and five years	8,583	439,164	-	447,747	8,721
After five years	-	-	-	-	508,695
	16,561	966,161	41,232	1,023,954	571,087

26. Fixed asset investments

The Company has one incorporated subsidiary, Skipview Limited. The subsidiary remained dormant throughout the financial year 2011/12. A value of £1 is recorded.

27. Post Balance Sheet Events

None.

28. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is the London Borough of Brent, whose financial statements can be obtained from: The Director of Finance, London Borough of Brent, Brent Town Hall, Forty Lane, Wembley, Middlesex, HA9 9HD.

29. Pensions

The Company participates in the Local Government Pension Scheme. In accordance with the TUPE provisions applicable for staff transferred from the Council to the Company, pension rights accruing from previous service with the Council have been transferred to the company's pension scheme. The pension fund is a defined benefit scheme based on final pensionable salary.

Contributions to the scheme have been charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the company. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. Assets have been notionally allocated to the Company by applying the same funding level (calculated on FRS17 'Retirement benefit' assumptions) as for the whole scheme.

Changes to the Local Government Pension Scheme (LGPS) permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6th April 2006 will take advantage of this change to the pension scheme.

The following rates of contribution were certified at the 31st March 2012 valuation:

April 2011 to March 2012	15.8% of salaries
April 2012 to March 2013	17.8% of salaries
April 2013 to March 2014	17.8% of salaries

In accordance with Financial Reporting Standard 17 – 'Retirement benefit' the Company is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

The most recent valuation was carried out as at 31st March 2011 and has been updated by independent actuaries to the London Borough of Brent Pension Fund (the Fund) to take account of the requirements of FRS 17 'Retirement benefits' and IAS 19 in order to assess the liabilities of the Fund as at 31st March 2012. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

Principal financial assumptions:

	2012	2011	2010
	%pa	%pa	%pa
Discount rate	4.8	5.4	5.5
Rate of inflation (RPI)	N/A	3.7	3.9
Rate of inflation (CPI)	2.5	2.8	N/A
Rate of increase to pensions in payment	2.5	2.8	3.9
Rate of increase to deferred pensions	2.5	2.8	3.9
Rate of general increase in salaries	4.8	5.2	5.4

Mortality assumptions:

Post Retirement mortality (retirement in normal health)

Males

	2012	2011
	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health Light Amounts
Year of birth base table		
Rating to above base rate table (years)	0	0
Scaling to above base table rates	100%	100%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	23.8	23.8
Future lifetime from age 65 (currently aged 45)	25.6	25.6

Females

	2012	2011
	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health Light Amounts
Year of birth base table		
Rating to above base rate table (years)	0	0
Scaling to above base table rates	80%	80%
Improvements to base table rates	CMI_2009 with a long term rate of improvement of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	26.6	26.6
Future lifetime from age 65 (currently aged 45)	28.6	28.6

Brent Housing Partnership Limited

29. Pensions (cont'd)

Long-term expected rates of return on assets:

	2012 %pa	2011 %pa	2010 %pa
Equities	6.3	8.4	8.0
Private equity and Infrastructure	10.0	13.4	13.0
Hedge funds		8.2	8.3
Property	4.4	7.9	n/a
Government bonds	4.0	4.4	8.5
Corporate bonds	4.0	5.1	4.5
Cash	3.5	1.5	5.5
Other assets	6.4	8.4	8.0
Average long term expected rate of return	<u>6.4</u>	<u>8.4</u>	<u>8.0</u>

The approximate split of assets of the fund is as follows:

	2012 %	2011 %	2010 %
Equities*	60.0	51.0	56.2
Private equity/Infrastructure	16.0	10.1	9.6
Hedge funds		8.7	9.2
Property	7.0	6.9	6.0
Government bonds**	15.0	5.3	3.3
Corporate bonds		4.9	14.0
Cash/other assets	2.0	13.1	1.7
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

* Hedge funds are included in Equities

** Corporate bonds are included in Government bonds.

Brent Housing Partnership Limited employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31st March 2012.

In accordance with paragraph 77 (c) of FRS17 'Retirement benefits' (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-market value for the period ending 2008 have been remeasured for this purpose.

Reconciliation of funded status to balance sheet:

	2012 £	2011 £
Fair value of assets	17,051,000	16,670,000
Present value of funded defined benefit obligation	<u>29,967,000</u>	<u>27,820,000</u>
Pension asset/(liability) before consideration of Adjustment in respect of paragraph 58	<u>(12,916,000)</u>	<u>(11,150,000)</u>
Pension asset/(liability) recognised on the balance sheet	<u>(12,916,000)</u>	<u>(11,150,000)</u>

Charges to the profit or loss on provision of services:

	2012 £	2011 £
Current service cost	894,000	970,000
Past service cost/(income)	134,000	(3,720,000)
Interest cost	1,518,000	1,570,000
Expected return on assets	<u>(1,412,000)</u>	<u>(1,300,000)</u>
Curtailement cost	-	-
Settlement cost	-	-
Expense recognised	<u>1,134,000</u>	<u>(2,480,000)</u>

Amounts charged to statement of total recognised gains and losses are as follows:

	2012 £	2011 £
Actuarial loss on pension fund assets	(1,315,000)	(1,700,000)
Actuarial (loss)/gain on scheme liabilities	<u>(32,000)</u>	<u>1,710,000</u>
Total actuarial (loss)/gain on the pension scheme assets and liabilities	<u>(1,347,000)</u>	<u>10,000</u>
Cumulative actuarial gains and losses	<u>(5,717,000)</u>	<u>(4,370,000)</u>

Changes to the present value of defined benefit obligation during the financial year:

	2012 £	2011 £
Opening defined benefit obligation	(27,820,000)	(31,190,000)
Current service cost	(894,000)	(970,000)
Interest cost	(1,518,000)	(1,570,000)
Contributions by participants	(307,000)	(330,000)
Actuarial (loss)/gain on liabilities	(32,000)	1,710,000
Net benefits paid out	738,000	810,000
Past service (cost)/income	<u>(134,000)</u>	<u>3,720,000</u>
Closing defined benefit obligation	<u>(29,967,000)</u>	<u>(27,820,000)</u>

Brent Housing Partnership Limited

29. Pensions (cont'd)

Changes to the fair value of assets during the financial year:

	2012	2011
	£	£
Opening fair value of assets	16,670,000	16,800,000
Expected return on assets	1,412,000	1,300,000
Actuarial (losses) on assets	(1,315,000)	(1,700,000)
Contributions by employer	715,000	750,000
Contributions by participants	307,000	330,000
Net benefits paid out	(738,000)	(810,000)
Business combinations	-	-
Settlements	-	-
Closing fair value of assets	<u>17,051,000</u>	<u>16,670,000</u>

In accordance with Paragraph 79 of FRS17 'Retirement benefits' (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6th April 2007. The history of experience gain/(loss) on liabilities shown has not been re-stated for periods ending 2007, 2006 and 2005 and includes the experience related to unfunded liabilities.

	2012	2011
	£	£
Expected return on assets	1,412,000	1,300,000
Actuarial gain/(loss) on assets	(1,315,000)	(1,700,000)
Actual return on assets	<u>97,000</u>	<u>(400,000)</u>

Amounts for the current and previous four years are as follows:

	2012	2011	2010	2009	2008
	£	£	£	£	£
Experience gains/(losses) on assets	(1,315,000)	(1,700,000)	2,870,000	(5,360,000)	(1,900,000)
Percentage of assets	-7.7%	-10.2%	17.1%	-44.0%	
Experience gains/(losses) on liabilities	(176,000)	2,070,000	30,000	(10,000)	(1,510,000)
Percentage of the present value of the liabilities	-0.6%	7.4%	0.1%	0.0%	

30. Prior year adjustment

The prior year adjustment relates to the adoption of SORP 2010 as a result of becoming registered with the Tenant Services Authority on 1st April 2011, as further detailed in Note 1 under "Introduction and basis of accounting".

Component accounting has not been adopted as its impact is immaterial.

As a result of adopting SORP 2010 for the first time, properties held for social housing have been reclassified and there have been changes to the treatment of related capital grants. All completed social housing properties owned at 31st March 2012 have been re-valued using the EUV-SH valuation basis with Special Assumptions. These changes are reflected in Note 14.

The impact on the income and expenditure account is shown as follows:

	2011	
	Pre	Post
	£	£
Prior year revenue reserve (excluding pension reserve) as previously stated	6,984,528	6,645,719
Housing properties held for investment - cost or valuation	16,795,000	5,470,000
Social housing properties - cost or valuation	9,882,205	21,207,205
Social housing and other grant	(1,808,209)	142,751
Social housing properties - accumulated depreciation and impairment	<u>(50,465)</u>	<u>(338,809)</u>

The prior year adjustment to revenue reserves is as follows:

	£	£
Prior year revenue reserve (excluding pension reserve) as previously stated		6,984,528
Social housing properties cost/valuation	(2,340,234)	
Depreciation	50,465	
Social housing and other grant	1,950,960	
Prior year impairment provision		<u>(338,809)</u>
Restated prior year revenue reserve (excluding pension reserve)		<u>6,645,719</u>