



**Rochdale Boroughwide Housing Ltd**  
**Directors' report and financial statements**  
**Registered number 4394435**  
**Year ending 31 March 2006**



# Contents

Rochdale Boroughwide Housing Limited	2
Report of the Board for the Year Ended 31 March 2006	3
Statement of Board responsibilities	6
Annual Efficiency Statement	7
Report of the independent auditors	9
Income and expenditure account	10
Balance sheet	11
Cash flow statement	12
Notes	13

# Rochdale Boroughwide Housing Ltd

## Board and Advisors

### Board

Frank Blackburn (Chair)  
Derek Brown (Vice Chair)  
Philomena Renshaw  
Desmond Morris (appointed 27/9/05)  
Gill Walch  
Lois Tinker  
Keith Gordon  
Helen McHale (retired 18/8/05)  
Ian Harlow (appointed 27/9/05)  
Keith Barker (appointed 27/9/05)  
Councillor Anne Metcalfe  
(retired 22/5/06)  
Councillor Michael C.Holly  
(appointed 22/5/06)  
Councillor Barbara Todd  
Councillor Brian Davies  
Councillor Dale Mulgrew  
(appointed 22/5/06)  
Dr A Wahid Choudhry  
(Advisor to Board – BME Issues)  
Majid Khan  
(Advisor to Board – Youth Issues)

### Executive Officers

**Managing Director**  
Paul Neate

**Business Support Director**  
Gareth Swarbrick

**Operations Director**  
Brian Courtney

**Technical Director**  
Eugene Wilson

### Secretary and Registered Office

**Gareth Swarbrick,**  
Rochdale Boroughwide Housing Ltd.  
PO Box 69,  
The Old Post Office,  
The Esplanade,  
Rochdale,  
OL16 1AE.

### Auditors

**KPMG LLP**  
St James' Square,  
Manchester,  
M2 6DS.

### Internal Auditors

**Deloitte & Touche LLP,**  
(P.O. Box 500),  
201 Deansgate,  
Manchester.

### Bankers

**The Co-operative Bank PLC,**  
PO Box 101,  
1 Balloon Street,  
Manchester,  
M60 4EP.

### Solicitors

**RBH has its own Legal Team**  
Rochdale Boroughwide Housing Ltd.  
PO Box 69,  
The Old Post Office,  
The Esplanade, Rochdale,  
OL16 1AE

# Report of the Board for the Year Ended 31 March 2006

## The Board presents its report and the audited financial statements for the year ended 31 March 2006.

### What Do We Aim To Do?

The principal activity of the Company is the day to day management and maintenance of Rochdale Council's housing stock. The average number of dwellings under management for the year was 14,784.

To help the Company focus effectively on its objectives, RBH has adopted six key aims that are listed below.

- To bring all Council housing in the borough up to a locally agreed Decent Standard Plus as soon as is practically possible and maintain it at that standard.
- To ensure that investment is made in sustainable properties and investment supports sustainable communities by working closely with tenants and other partners.
- To achieve continuous improvement in performance indicators into the upper quartile nationally so as to deliver a high quality service to tenants and to help win and maintain an 'excellent' rating from the Housing Inspectorate.
- To deliver value for money, including identifying efficiency savings for reinvestment in improved core services.
- To ensure that tenant participation and consultation arrangements involve a wide range of tenants and enable the full range of tenants views to be heard.
- To give tenants and other customers meaningful choices over the way that existing services are delivered and new services developed.

### Highlights of the Year

2005/06 has been a very busy year with the implementation of a new housing management computer system, the introduction of collection of water charges, and major restructuring of the responsive repairs service in advance of full market testing during 2006/07.

At the end of the financial year to March 2006, RBH is proud to have achieved its Decent Homes target four years ahead of the Government deadline. RBH was awarded the prestigious Housing Excellence Award for Partnering Scheme of the Year (along with the two Major Investment partners) for its work in bringing homes up to the decent standard.

### Social and Environmental Performance

RBH has continued to develop its approach to social and environmental performance.

- On Health & Safety, RBH has been presented with the esteemed International Safety Award by the British Safety Council, and has implemented a full Health and Safety training package in partnership with the Rochdale Training Association.
- On community involvement, RBH has continued to work in partnership with over 40 tenants and resident groups.
- RBH has joined the shadow board of GM Procure, a consortia aimed at achieving value for money through economies of scale and planning of major and cyclical repairs. Savings made through GM Procure will fund training schemes supported by Manchester Enterprises.
- RBH has continued its commitment on equality and diversity, achieving both levels 2 and 3 of the Local Government Equality Standard.
- A number of incentives for employees have been set up during the year, including childcare vouchers and the attendance recognition scheme which rewarded 163 employees for having no absences due to sickness in the year. The number of sickness days lost overall has reduced by a further 1.5 days per employee. RBH is also investigating the Home Training Initiative. A staff survey conducted in March 2006 gave positive feedback, indicating that the majority of employees believe that their terms and conditions are far better than those prior to RBH.
- 84% of employees live in the Borough. We have continued to offer traineeships to people from a BME background and for those with disabilities.
- RBH was awarded a grant from the DTI towards the cost of installing solar panels on seven tower blocks in Rochdale Town Centre. The energy produced powers communal lighting and the residents association's office with resulting savings being earmarked to be spent on environmental improvements.

## Financial and Service Performance

- RBH is once again able to report a healthy financial position at the end of 2005/06. A surplus has been achieved (a cumulative figure of £0.829M at 31 March, not including accounting for FRS 17). The tax status of ALMOs nationally was finally decided during the year with RBH being a 'test case' in discussions with HMRC. It has been agreed that surpluses resulting from activities covered under the Management Agreement between an ALMO and its parent council will not be subjected to Corporation Tax.
- The Major Investment Programme, 'Raising the Standard' being carried out in partnership with Bramall Construction Ltd. and Cruden Construction Ltd. has been completed 4 years ahead of the Government deadline for Decent Homes delivery.
- RBH commenced the collection of water charges on behalf of United Utilities from April 2005 and in doing so generated an additional £505,000 net of costs which was credited to the Council's Housing Revenue Account.
- Performance in respect of rent collection and arrears was very good, despite having to take on responsibility for £3.5 million of water charges. RBH also had its best performance on void properties for 25 years, with only 186 properties empty at year end. Tenant satisfaction levels remain consistently high. The Right To Buy Service has met all statutory performance timescales.
- RBH successfully negotiated the lease of a brand new Stores facility on Kingsway. The move will take place in the first quarter of 2006/07 and will help streamline our repairs operation.
- Phase Two of the implementation of the new I.T. system included the successful 'go-live' of the Repairs system.
- RBH continues to make progress in developing and implementing its value for money strategy. In relation to both revenue and capital budgets, RBH achieved efficiencies of over £5.0M, including recurring efficiency gains of £2.8m from 2004/05. From 2006/07 £200,000 a year will be saved following re-tendering RBH's insurance arrangements. A summarised Annual Efficiency Statement for 2005/06 is shown on page 8.

## Future Developments

The following key developments are taking place in 2006/2007:

- The Management Agreement between Rochdale Metropolitan Borough Council and RBH is due to expire at the end of March 2007. Following a thorough review, the Council recently agreed a further 5 year term for RBH with a presumption of another 5 years following that subject to the agreement of a new management agreement and delivery plan.
- RBH is in a strong position to be at the forefront of Government thinking on potential future financial freedoms for ALMOs having undertaken detailed financial modelling with independent consultants on the impact of options mooted in 'ALMOs – a new future for council housing', a joint research project commissioned by the Government, and undertaken by the National Federation of ALMOs, Chartered Institute of Housing and Housemark.
- We will carry out an initial feasibility study into the possibility of being able to build new affordable housing on 2 sites in the Borough.
- Work on preparing a competitive bid to continue to provide the repairs service 'in house' is on-going in the run up to submitting a tender in September 2006. It is anticipated that the new contract will be awarded in December.
- We will respond positively to the Government's Respect Agenda for Housing Management and will develop and implement a Local Respect Action Plan. This will include the development of "Communities First", a new Recognition, Reward and Incentive scheme.
- More service reviews will be completed in 2006/07 including that of all administrative posts with a view to ensuring value for money now that workloads have changed due to new IT systems, a new rechargeable repairs procedure, new rent payment options and the restructuring of the repairs service.
- We will ensure that all offices and community bases comply with the requirements of the Disability Discrimination Act.
- We will begin delivery of our new 5-year capital programme to maintain homes at the Decent Standard.
- RBH will continue with the ongoing process of responding to the efficiency agenda by complying with Government requirements via the Council and embedding the culture of VFM throughout the organisation. Specific VFM initiatives include the piloting of mobile working for repairs operatives, which will increase efficiency through reduced administration and travel costs.
- The Company's Business Plan will be reviewed and updated including a fully revised Financial Strategy and plan for the next 5 years.

## Our Governance Arrangements

The Main Board of RBH comprises six tenants, four councillors and three independents.

RBH's Board has the ultimate responsibility for the internal governance of the organisation. Its role is to direct the work of the organisation, determine its strategic direction, deliver its commitments under the Management Agreement, approve overall expenditure, and approve the policies of the organisation.

The Board of RBH is committed to the delivery of high quality housing services to its customers, and RBH's aims and objectives embrace the key principles of good governance, i.e. openness, inclusiveness, integrity and accountability. Both the Board and staffing structures have been developed to ensure that there is an informed and effective decision making process within the organisation.

The Board structure of RBH reflects the organisation's commitment to tenant involvement with tenants having the largest share of the Main Board and an in built majority on the four area boards.

All Board members receive comprehensive training to clarify their roles and responsibilities and to equip them with the knowledge and skills required to carry out their roles effectively.

The Main Board met 5 times in 2005/06.

In 2005/06 the Board was assisted by 4 Area Boards (down from 5 following the 2003 review) and 4 Sub-Committees that have delegated powers and written terms of reference. A further review of the role of Area Boards started in 2005/06. Any new governance arrangements that come out of the reviews will take effect in 2006/07.

## Area Boards

Each Area Board met 4 times in 2005/6, with membership drawn from local tenants' groups, township councillors and up to three independents.

## Performance Management Sub-Committee

This group examines the performance management information in detail and makes decisions on any actions required.

It consists of 2 nominees from Area Boards and 3 Board Members. The sub-committee met 4 times in 2005/6.

## Audit Sub-Committee

This Sub-Committee provides the facility for Board members to meet the Company's external auditors, to discuss their report on the annual accounts, and review the scope and results of the internal audit work programme. The Sub-Committee also monitors and advises the Main Board on compliance with the Company's Risk Management Action Plan.

The Sub-Committee met 3 times in 2005/6.

Following a review the sub-committee has agreed new terms of reference and a broader remit and was renamed the Audit, Risk and Governance Sub-Committee.

## Finance and Value For Money Sub-Committee

The Finance Sub-Committee is responsible for determining the financial strategy and policies of the company and keeping them under review. It met on 4 occasions during the year and received regular reports on company expenditure and commitments against approved budgets.

The Sub-Committee carried out a review of the Company's annual budget and management fee and made recommendations to the Board in respect of service developments and opportunities for savings and the redirection of existing resources.

## Staffing Sub-Committee

The Staffing Sub-Committee considers all staffing and personnel related issues and makes recommendations to the Board in respect of remuneration, variations to the authorised establishment and amendments to conditions of service.

Members of the Sub-Committee also meet with management

and trade unions on a half yearly basis at a Joint Consultative Committee and are called upon to hear disputes, grievances and disciplinary appeals.

The Sub-Committee met on 4 occasions in 2005/6.

## Policy and practice on payment of creditors

It is the policy of the Company to pay its creditors within 30 days.

At the year-end, there were 8 days purchases in trade creditors compared to 18 days at the end of 2004/05.

# Statement of Board Responsibilities in respect of the Board Report and the Financial Statements

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

Company law requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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

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

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

The Board are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors who held office at the date of approval of this Director's report confirm that so far as they are each aware, there is no relevant audit

information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Under applicable law the Board are also responsible for preparing a Board Report that complies with that law.

# Statement of Board on Risk Management and Internal Control

The Board acknowledge their ultimate responsibility for ensuring that the Company has in place a framework for managing exposure to strategic and operational risks. RBH's Risk Management Strategy is designed to identify, analyse and treat all risks and lead to risk management being embedded into the Company's culture. Regular reports on major risks are received by the Audit Sub-Committee. The strategy will be reviewed annually to ensure it remains fit for purpose.

It is also the Board's responsibility to establish and maintain systems of internal financial control that are appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Company or for publication;
  - the maintenance of proper accounting records; and
  - the safeguarding of assets against unauthorised use or disposition.
- Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.
- Key elements include ensuring that:
- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets;
  - experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
  - forecasts and budgets are prepared which allow the Board and Management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
  - all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through relevant sub committees comprising Board members and others;
  - the Board reviews reports from management, from internal auditors, from the external auditors and from its own Audit Sub-Committee to provide reasonable assurance that the control procedures are in place and are being followed. The Internal Auditors make regular reports to the Board via the Audit Sub-Committee;
  - formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports; RBH's comprehensive set of policies and procedures also includes data protection, whistle-blowing, health and safety, complaints handling and Register of Interests for Board members. All policies are monitored to ensure they are relevant and up-to-date.

## Auditors

The report of the Board was approved by KPMG LLP on 24 August 2006 and signed on its behalf by:



Gareth Swarbrick  
Company Secretary

## Summary Annual Efficiency Statement (AES)

### Overview

One of RBH's clearly stated aims in the Business Plan is "to deliver value for money, including identifying efficiency savings for reinvestment in improved core services". Rochdale Council in turn is committed to ensuring that all the resources made available to RBH are utilised in the most cost effective way possible to support its overall evidence to the Audit Commission as part of the Local Authority's CPA judgement.

RBH continues to make significant progress in terms of achieving value for money and maximising the efficiency of its services by developing its VFM strategy. Below is a summarised version of RBH's Backward Look AES for 2005/06. This compares actual expenditure on social housing (capital and revenue) in 2005/06 with actual expenditure in 2004/05 as adjusted for inflation and volume changes and shows net efficiency gains of £2.293M. Taken together with gains achieved in the previous year of £2.770M, to efficiencies of £5.063M have been achieved.

## Backward Look – Efficiency Gains Achieved in 2005/06

Total efficiency gains have been achieved in 2005/06 of £2.3M as follows:

### Management and Maintenance

Cash Savings – Additional income to the Housing Revenue Account (HRA) has been generated from commission paid by United Utilities for the collection of water charges by RBH. The HRA has benefited in 2005/06 to the tune of £505,000 net of costs. Further savings of £500,000 were achieved (mainly from restructuring of the repairs service) which enabled the HRA to make an additional revenue contribution to support the Decent Standard capital programme.

Quality enhancements/Performance Improvements – A further reduction in the average number of days sickness absence per employee of 1.5 days equates to an efficiency gain of £26,000 (net of costs). Improved performance in relation to void property turnaround times has reduced rent loss to the HRA by £220,000. £78,000 was invested in service enhancements including the funding of a Community Induction Project for BME tenants, a new Choice Based Lettings officer post and software to implement a more streamlined invoice process.

### Capital Works

Cash Savings – RBH demonstrated supply chain savings of £1.2M through the Partnering contracts with Bramall Construction Ltd. and Cruden Construction Ltd. together with efficiency gains through energy efficiency and recycling initiatives. The main purchasing areas where cash savings are being generated are boilers, windows, whole house ventilation systems, door sets and floor tiles.

#### LA Social Housing Workstream - Backward Look AES 2006

	<b>Total £'000</b>	<b>Repairs £'000</b>	<b>Management £'000</b>	<b>Overheads £'000</b>
<b>LA Social Housing Non-Capital</b>				
2004/05 outturn	25,556	12,036	8,068	5,452
Adjustments for volume -1.84%				
2004/05 outturn adjusted for volume	25,085	11,776	7,858	5,452
Inflation Index 3.70%				
Adjusted 2004/05 net	26,014	12,211	8,149	5,654
Quality enhancement - existing services quantified	246		220	26
Cashable gain from collection of water charges	505		505	
Cashable gain - savings re-invested in Decent Homes	500	500		
Quality enhancement - new services/income	78		78	
2004/05 adjustments for quality, inflation etc.	27,343	12,711	8,952	5,680
2005/06 outturn	26,288	11,746	8,469	6,073
Net efficiency	1,055	965	483	-393
<b>LA Social Housing Capital Works</b>				
MIP & Planned Works	1,238			
<b>Total Backward Look 2005/06 Efficiency Gain</b>	2,293			
Recurring efficiency gain 2004/05	2,770			
<b>Grand Total Efficiency Gain</b>	5,063			

# Report of the independent auditors, KPMG LLP, to the members of Rochdale Boroughwide Housing Limited

We have audited the financial statements of Rochdale Boroughwide Housing Limited for the year ended 31 March 2006 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board of Management and auditors

As described in the Statement of Board Responsibilities on page 6, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared

in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Board of Management's report on pages 3 to 7 is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions with the Company is not disclosed.

We read the Board's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion


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

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

## Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP  
Chartered Accountants  
St James Square  
Manchester  
M2 6DS  
Registered Auditor  
Date; 26 September 2006.

## Income and expenditure account

Year ended 31 March 2006

This statement shows the income and expenditure earned and incurred by RBH in 2005/06 after accounting for FRS17. Before the FRS17 changes were made the income and expenditure account showed income was greater than expenditure by £0.806M for the year. This added to the surplus of £0.023M from 2004/05 means that RBH has reserves of £0.829M at 31 March 2006 before the FRS17 adjustments rather than a deficit of £0.615M.

Restated

	Note	2006 £000	2005 £000
Turnover	2	29,679	28,979
Operating costs		29,695	29,780
<b>Operating surplus/(deficit)</b>		(16)	(801)
Interest receivable and other income		201	213
Interest payable and similar charges		-	-
Other finance income	17	(111)	(55)
Surplus/ (deficit) on ordinary activities before taxation		74	(643)
Taxation on surplus/ (deficit) from ordinary activities	6	(18)	(42)
<b>Surplus/(Deficit) on ordinary activities after taxation</b>		56	(685)
Transfer to/from reserves	12	-	-
<b>Surplus/(deficit) for the year</b>		56	(685)
Revenue reserves brought forward	12	(671)	14
<b>Revenue reserves carried forward</b>	12	(615)	(671)
All amounts relate to continuing activities.			

The notes on pages 13 to 19 form part of these financial statements.

## Balance sheet

As at 31 March 2006

The balance sheet summarises the financial position of the Company. It shows the value of the Company's assets and liabilities at the end of the financial year (31 March 2006).

	Note	2006 £000	2005 £000
Restated			
<b>Fixed Assets</b>			
Computer Equipment	7	110	0
<b>Current assets</b>			
Stock		373	363
Debtors	8	1,199	509
Cash at bank and in hand / Short term investments		3,705	4,021
		5,277	4,893
Creditors: amounts falling due within one year	9	(4,461)	(4,850)
Bank overdraft		(97)	-
<b>Net current assets</b>		719	43
Provision for future tax liabilities	10	-	(20)
<b>Net assets excluding pension liabilities</b>		829	23
Pension liability		(12,332)	(8,905)
<b>Net liabilities including pension liabilities</b>		(11,503)	(8,882)
<b>Reserves</b>			
Pension reserve	12	(10,888)	(8,211)
Income and Expenditure Account	12	(615)	(671)
		<b>(11,503)</b>	<b>(8,882)</b>

These financial statements were approved by the Board on 24 August 2006 and were signed on its behalf by:



Frank Blackburn, Chairman

The notes on pages 13 to 19 form part of these financial statements

## Cash flow statement

For the year ended 31 March 2006

This statement summarises the inflows and outflows of cash during the year.

Restated

	Note	2006 £000	2005 £000
Net cash inflow/(outflow) from operating activities	13a	(459)	442
Capital Expenditure		(137)	
Returns on investments and servicing of finance			
Interest received		201	213
Interest paid		-	-
<b>Net cash inflow from returns on investments</b>		201	213
Taxation			
Corporation tax paid		(18)	(42)
<b>Increase/(Decrease) in cash and investment</b>	13c	413	613

The notes on pages 13 to 19 form part of these financial statements.

## Statement of total recognised gains and losses

For the year ended 31 March 2006

This statement summarises the total recognised gains and losses.

	Note	2006 £000	2005 £000
Revenue Reserves brought forward			14
Revenue surplus/(deficit) for the year		56	(685)
Actuarial gain/(loss) recognised in the pension scheme	17	(2,677)	(1,585)
<b>Total gains and losses relating to the financial year</b>		(2,621)	(2,256)
Prior year adjustment on full adoption of FRS 17		-	(6,626)
Brought forward FRS 17 adjustment		(8,882)	-
<b>Total gains and losses since last financial statements</b>		(11,503)	(8,882)

## Reconciliation of movements in funds

For the year ended 31 March 2006

	Note	2006 £000	2005 £000
Revenue surplus for the year		56	(685)
Other recognised gains and losses relating to the year		(2,677)	(1,585)
<b>Net addition/(reduction) to funds</b>		(2,621)	(2,270)
Opening funds before prior year adjustment			14
Prior year adjustment on full adoption of FRS 17		-	(6,626)
Brought forward FRS 17 adjustment		(8,882)	-
<b>Closing funds</b>		(11,503)	(8,882)

## Notes

(forming part of the financial statements)

The following notes provide more detailed information in order to assist in the interpretation of the main financial statements

### 1 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting.

The accounts have been prepared on a going concern basis notwithstanding net liabilities of £11.503M for the following reasons:

Rochdale Boroughwide Housing has implemented the accounting changes required as a result of Financial Reporting Standard (FRS) 17. The impact of FRS 17 is to show the current cost of future pension liabilities that have accrued in the year in the Company's income and expenditure account. FRS 17 also requires that the surplus or deficit on the pension scheme at year-end is shown as a liability on the balance sheet. The Rochdale scheme, like a number of other schemes has a deficit. Measures are in place to address this deficit by increasing employers' contributions in the medium term. The introduction of FRS 17 also requires the 2004/05 accounts to be re-stated. The accounts show negative revenue reserves of £0.615M and a negative pension reserve of £10.888M compared to a revenue surplus of £0.829M before the FRS17 changes are made. The Management Fee from Rochdale Council is allowed to vary to reflect any changes in employer's payments to the pension fund and the Council has agreed to support all pension fund liabilities as and when they fall due. The deficit is therefore not considered to be detrimental to the long-term future of the Company.

#### Turnover

Turnover represents income fees received from Rochdale MBC for the management and maintenance of Rochdale MBC's housing stock and other income from operating activities.

#### Fixed Assets and Depreciation

RBH purchases I.T. equipment which is depreciated over 5 years on a straight-line basis.

#### Leased Assets

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

#### Stocks

Stocks are stated at the lower of cost and net realisable value.

#### Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The HMRC have declared that ALMOs are considered as "not trading" with their parent council and are therefore exempt from corporation tax to the extent that surpluses are generated through this relationship.

#### Designated Reserves

The Company may choose to make a transfer to reserves to meet its anticipated future obligations. No reserve was established in 2005/2006.

#### Pension Costs

The Company participates in the Local Government Pension Fund (LGPF) Superannuation scheme. The scheme is a final salary pension scheme and retirement benefits to employees of the Company are funded by contributions from all participating employers and employees in the scheme. Payments are made to the Greater Manchester Pension Fund operated by Tameside MBC. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable to the various participating organisations. The pension reserve represents the impact of actuarial gains and/or losses which have been accounted for in the statement of total recognised gains and losses.

### 2 Analysis of turnover

Turnover	£000	£000
	2006	2005
Management Fee Income	26,912	25,754
Other income	2,767	3,225
	29,679	28,979

### 3 Surplus/(Deficit) on ordinary activities before taxation

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Is stated after charging:		
Depreciation – I.T. Equipment	27	-
Auditors remuneration (including VAT):		
- in their capacity as auditors	20	22
- for other services – Corporation Tax computation	3	1
	50	23

### 4 Employee information

	<b>2006</b>	<b>2005</b>
	<b>No.</b>	<b>No.</b>
The average number of persons employed during the year, expressed as equivalent full time employees was:		
Housing management	176	179
Housing maintenance	265	279
Administrative and clerical	145	136
	586	594
Staff costs for the above persons were:		
	2006	2005
	£000	£000
Wages and salaries	12,730	12,840
Social security costs	860	827
Other pension costs	1,158	1,034
	14,748	14,701

### 5 Directors emoluments

The remuneration paid to the managers of the Company (the Board, Managing Director and Directors) was:

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Aggregate emoluments payable to Directors (including pension contributions and benefits in kind)	312	276

The Company's Managing Director was paid £96,000 including pension contributions, in 2005/06 (£85,000 in 2004/05). He is a normal member of the LGPS final salary pension scheme and does not receive any enhanced benefits.

None of the members of the Board received any remuneration. They are paid expenses for expenditure incurred on travel, subsistence and carers costs in relation to attendance of Board and sub-committee meetings, training and other Company events. The aggregate amount of expenses paid to Board members in the period was £1,720. (£2,236 in 2004/05).

## 6 Taxation

Analysis of charge in period

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<b>UK Corporation tax</b>		
Current tax on income for the period	38	40
Adjustments in respect of prior periods	(20)	2
Total current tax	18	42

Factors that may affect future tax charges

If the scale of non-council sourced income were to significantly increase, this will have an impact on the level of corporation tax payable in future years.

## 7 Fixed Assets

	<b>IT Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
<b>Cost at 1st April 2005</b>		
Additions	137	137
Disposals	0	0
<b>Cost at 31st March 2006</b>	137	137
<b>Depreciation at 1st April 2005</b>		
Additions	27	27
Disposals	0	0
<b>Depreciation at 31st March 2006</b>	27	27
	<b>£000</b>	
<b>Net Book Value at 1st April 2005</b>	0	
<b>Net Book Value at 31st March 2006</b>	110	

## 8 Debtors

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Amounts receivable within one year:		
<b>Rochdale MBC</b>		
Management fee	-	-
Other	601	84
Prepayments	63	19
Accrued income	326	301
	990	404
<b>Other debtors</b>		
External debtors	69	13
Prepayments	118	44
Accrued income	22	48
Sub-total other debtors	209	105
<b>Total</b>	1,199	509

## 9 Creditors

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:		
<b>Rochdale MBC</b>		
Payments on account	-	1,605
Other	145	-
Accruals and deferred income	2,704	1,807
	2,849	3,412
<b>Other creditors</b>		
Trade creditors	292	1
HM Customs and Excise	204	116
Corporation tax	38	40
Accruals and deferred income	1,078	1,281
Sub-total other creditors	1,612	1,438
<b>Total</b>	4,461	4,850

## 10 Provision for liabilities and charges

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	20	20
Utilised during the year	(20)	-
Amounts provided during the year	-	-
At end of year	-	20

## 11 Constitution

RBH is a company limited by guarantee and does not have any share capital. There is only one “member” of the organisation. That “member” is Rochdale Council and the Company’s articles of association state that no other person other than the Council Member shall be admitted to membership of the organisation.

## 12 Reserves

	<b>Revenue Reserve</b>	<b>Pension Reserve</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At beginning of year (restated)	(671)	(8,211)	(8,882)
Revenue surplus/(deficit) for year	56	-	56
Actuarial gain/(loss) recognised in the pension scheme	-	(2,677)	(2,677)
At end of year	(615)	(10,888)	(11,503)
	<b>2006</b>	<b>2005</b>	
	<b>£000</b>	<b>£000</b>	
Pension reserve	(10,888)	(8,211)	
Income and Expenditure Account	(615)	(671)	
Total Reserves	(11,503)	(8,882)	

## 13 Notes to the cash flow statement

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

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Operating Surplus/ (Deficit)	16	(801)
Depreciation	27	
(Increase)/Decrease in stock	(9)	(54)
(Increase)/Decrease in debtors	(690)	1,644
Increase/(Decrease) in creditors	(389)	(986)
Movement in provisions	(21)	
Pension current service cost	1,791	1,657
Pension contributions	(1,152)	(1,019)
Net cash inflow / (outflow) from operating activities	(459)	442

### b) Reconciliation of net cash inflow to movement in net funds

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Increase/(Decrease) in cash in the year	(316)	392
Change in net debt resulting from cash flows	(97)	221
Net funds at start of year	4,021	3,408
Net funds at end of year	3,608	4,021

### c) Analysis of changes in net funds

	<b>At 1 April 2005</b>	<b>Cash Flows</b>	<b>At 31 March 2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash and investment	4,021	(413)	3,608
Debt due within one year	-	-	-
Debt due after one year	-	-	-
Net funds	4,021	(413)	3,608

## 14 Related Party Disclosures

The Company is wholly owned by Rochdale Council. Total Company turnover was £29.7M including £26.9M from the Council in management fee.

The six tenant Board members are Derek Brown, Gill Walch, Philomena Renshaw, Keith Barker, Lois Tinker, and Keith Gordon. Acting as Board members does not allow them to influence their individual tenancies. During the year, because

RBH's income is from the Council, the following Board members, as Councillors, have undertaken material transactions with Rochdale Boroughwide Housing: Cllr. Anne Metcalfe, Cllr. Barbara Todd, and Cllr. Brian Davies. The following Board members have also undertaken material transactions with RBH: Barbara Todd Chair of Greave Tenants and Residents Association and Derek Brown as Director of Rochdale Federation of Tenants and Residents Associations (ROFTRA).

## 15 Leasing

The Company has entered into a 10 year lease agreement with Beva Hurstwood for the use of part of the Ground Floor and Floors 1 & 2 of the Old Post Office Building in Rochdale.

RBH also utilises the Council's leasing arrangements for the purchase of IT and telecommunications equipment and for furniture.

RBH is committed to making payments under operating leases in the next year, as follows:

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Building lease expiring beyond five years	261	148
Furniture and equipment leases expiring:		
One to five years	47	-
Beyond five years	-	47
Total	308	195

## 16 Equality and Diversity

RBH's commitment to promoting equality and valuing diversity is outlined in its Equality and Diversity policy document. The policy describes how RBH will comply with race relations

legislation, the Sex Discrimination Act 1975, and the Disability Discrimination Act 1995.

## 17 Pensions

The Company participates in the Greater Manchester Fund of the Local Government Pension Scheme (LGPS). The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1.152M (2005: £1.019M). There were no outstanding or prepaid contributions at either the beginning or end of the year. The pension scheme provides benefits based on final pensionable pay, contributions being charged to the income

and expenditure account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary, and have been set at 10.7% for 2005/06, 11.6 % for 2006/07 and 12.5% for 2007/08. The most recent valuation was 31 March 2006. The next valuation will lead to revised contribution rates for 2008/09. The financial assumptions underlying the most recent valuation of the LGPS are as follows:

<b>Valuation method</b>	<b>Projected unit</b>
Market value of assets	£8.506 million
Investment return per annum	6.5%
Salary scale increases per annum	4.6%
Pension increases per annum	3.1%

## Financial Reporting Standard No 17

Under the requirements of FRS 17, the Company is required to disclose further information on its share of assets and

liabilities of the LGPS on a market value basis at the end of the accounting period. This information is set out below:

<b>Actuarial assumptions</b>	<b>At 31 March 2006</b>	<b>At 31 March 2005</b>
Discount rate	4.9%	5.4%
Salary increase rate	4.6%	4.4%
Pension increase rate	3.1%	2.9%
Rate of inflation	3.1%	2.9%

<b>Scheme assets and expected rate of return</b>		
Equities	7.4%	7.7%
Bonds	4.6%	4.8%
Property	5.5%	5.7%
Cash	4.6%	4.8%

Total market value of assets	£ 33.344M	£25.870M
Value of scheme liabilities	(£45.676M)	(£34.775M)
Net pension asset/(liability)	(£12.332M)	(£8.905M)

### Analysis of amounts charged to operating surplus/(deficit)

	2006	2005
	£'000	£'000
Current service cost and total operating charge	1,791	1,657
Past service cost	-	1
Total operating charge	1,791	1,658

### Analysis of amounts credited to other finance income

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	1,823	1,577
Interest on pension scheme liabilities	(1,934)	(1,632)
Net return	(111)	(55)
Net Revenue Account Cost	1,902	1,713

### Analysis of amounts recognised in statement of total Recognised gains and losses

	2006	2005
	£'000	£'000
Actual return less expected return on pension scheme assets	4,182	1,156
Experience gains and losses arising on the scheme liabilities	(1)	(1,935)
Changes in assumptions underlying the present value of the scheme liabilities	(6,858)	(806)
Actuarial gain/(loss) recognised in STRGL	(2,677)	(1,585)

### Movement in surplus/(deficit) in the year

	2006	2005
	£'000	£'000
Deficit in scheme at beginning of year	(8,905)	(6,626)
Movement in year:		
Current service cost	(1,791)	(1,657)
Contributions	1,152	1,019
Past service cost	-	(1)
Other finance income	(111)	(55)
Actuarial gain/ (losses)	(2,677)	(1,585)
Surplus/(Deficit) in scheme at end of year	(12,332)	(8,905)

### History of experience of gains and losses

	2006	2005
Difference between actual and expected return on scheme assets	4,182	1,156
Value of assets	33,344	25,869
% of scheme assets	12.5%	4.5%
Experience gains and losses on scheme liabilities (a)	(1)	(1,935)
Present value of liabilities (b)	45,676	34,774
% of present value of scheme liabilities % (a)/(b)	(0.0%)	(5.6%)
Total amount recognised in STRGL: (c)	(2,677)	(1,585)
Present value of liabilities (b)	45,676	34,774
% of present value of scheme liabilities % (c)/(b)	(5.9%)	(4.6%)

