



North Devon Homes Limited
Financial Statements
for the year ended 31 March 2013

Registered Number 03674687

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for the year ended 31 March 2013

Contents

Board of Management report	4
Operating and Financial Review	7
Statement of the Board of Management's Responsibilities	24
Report of the Board on Internal Control	25
Independent Auditor's report.....	27
Income and expenditure account.....	29
Statement of total recognised surpluses and deficits.....	30
Balance Sheet.....	31
Cash Flow Statement.....	32
Notes to the financial statements	33

North Devon Homes Ltd

The Board of Management

Mr Nick Lewis (Chairman)
Mr Robert Down (Vice Chairman)
Mr Simon Price
Mr Adrian Jeffery
Ms Mo Read
Mr Ian Richard Setter
Cllr Mr Derrick Spear
Mrs Jane Tomlin
Mrs Trudy Weston
Cllr Mr Jeremy Yabsley
Cllr Sue Haywood (appointed 16 April 2012)
Mrs Dawn Ash (appointed 18 June 2012)

Company Secretary

Mr Martyn Gimber (Chief Executive)

Executive Directors

Mr Martyn Gimber (Chief Executive)
Ms Nasreen Hussain (Director of Resources)
Mr Marc Rostock (Director of Neighbourhoods)

Solicitors

Trowers & Hamblins
The Senate
Southernhay Gardens
Exeter
Devon EX1 1UG

Surveyors and Valuers

FPD Savills
19/20 City Business Centre
6 Brighton Road
Horsham
Surrey RH13 5BB

Funders

Lloyds TSB Bank PLC
Level 6, Bishopsgate Exchange
155 Bishopsgate
London EC2M 3YB

Funding Advisers

EC Harris LLP
PO Box 307
Manchester
M60 3NT

Bankers

NatWest plc
3rd Floor, 3 Temple Back East
Bristol
BS1 6DZ

Statutory Auditors

Nexia Smith & Williamson Audit
Limited
25 Moorgate
London EC2R 6AY

North Devon Homes Limited is a company limited by guarantee (Registered in England, Company Number 03674687) and is registered with the Homes and Communities Agency (Registration Number LH4249).

The registered office is at:

Westacott Road
Barnstaple
Devon
EX32 8TA

Board of Management report for the year ended 31 March 2013

The Board of Management presents its report and audited financial statements for the year ended 31 March 2013.

Principal activities

The principal activity of the Company is to provide social housing.

Review of the business

A review of the business is discussed in the Operating and Financial Review on pages 7 to 23.

Results

The Company's surplus for the year is £1,148,000 (2012: £1,436,000). This amount was transferred to revenue reserves.

Going concern

The Board has a reasonable expectation that adequate resources will continue in existence for the foreseeable future and for this reason it continues to adopt the going concern basis in preparing the financial statements.

The Company's constitution and the Board

As detailed in the publicly available Memorandum and Articles, the Board of Management comprises three constituencies being three North Devon Council representatives, four Tenant representatives and five Independent Representatives. Members from each constituency make up the main Board of Management who, as at 31 March 2013, were:

Tenant	Independent	North Devon Council
Mr Ian Richard Setter	Mr Robert Down	Cllr Mr Derrick Spear
Mrs Jane Tomlin	Mr Adrian Jeffery	Cllr Mr Jeremy Yabsley
Mrs Dawn Ash	Mr Nick Lewis	Cllr Sue Haywood
Mrs Trudy Weston	Mr Simon Price	
	Ms Mo Read	

Executive officers

The Board of Management has delegated authority for operational matters to a team of executive officers. The executive officers who held office during the period are given below:

Mr Martyn Gimber (Chief Executive and Company Secretary).

Ms Nasreen Hussain (Director of Resources).

Mr Marc Rostock (Director of Neighbourhoods).

Board of Management report for the year ended 31 March 2013 (continued)

Financial Risk Management Objectives and Policies

The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Company has a formal risk management programme to mitigate the potential adverse effects that such risks may pose which are further detailed in the Operating and Financial Review on pages 7 to 23.

Employees

The strength of the Company lies in the quality and commitment of its employees. The ability to meet the objectives set and deliver a quality service as demanded by customers in an efficient manner depends upon the continued dedication and professionalism of our employees.

The Company operates an employee appraisal system which supports the delivery of corporate objectives by identifying any training and development needed to achieve these objectives.

Equal opportunities

The Company is committed to an equal opportunities policy within which it actively encourages applications for employment from all groups in society. It is our policy that disabled persons should be considered for employment, training, career development and promotion on the basis of their abilities in common with all employees.

Directors' and officers' liability insurance

The Company has maintained directors' and officers' liability insurance throughout the year.

Executive Officers' remuneration

The remuneration of the Chief Executive, Director of Resources and the Director of Neighbourhoods is determined, when reviewed, by the Board with the aid of external professional advice. No member of the Board receives any remuneration.

Disclosure of information to the auditors

In the case of each person who was a Board member at the time this report was approved:

- so far as that Board member was aware there was no relevant available information of which the auditors were unaware; and
- that Board member had taken all steps that the Board member ought to have taken as a Board member to make himself of herself aware of any relevant audit information and to establish that the auditors were aware of that information.

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

Board of Management report for the year ended 31 March 2013 (continued)

External auditors

Nexia Smith & Williamson Audit Limited have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next Annual General Meeting.

By order of the Board



Martyn Gimber, Company Secretary
16 September 2013

Operating and Financial Review

Background

North Devon Homes is a registered provider of social housing which was formed in February 2000 to accept the transfer of 3,281 homes from North Devon Council. At 31 March 2013, the Company owned 3,088 (2012: 3,104) affordable homes.

All of North Devon Homes' housing stock is located within the local government district of North Devon. The Company operates in an area where there is an acute shortage of existing affordable homes and limited supply of new sites for new housing provision. In addition to this, the area has very low average wages coupled with high property prices.

An analysis of the Company's asset activity is as follows:

	2013	2012
North Devon Homes' Affordable Housing Stock:		
General Needs		
Social rent *	2,451	2,512
Affordable rent	44	-
Older persons / Supported Housing		
Social rent	593	592
Total	3,088	3,104
<hr/>		
Shared Ownership	8	4
Market Rented	8	8
Leasehold Properties	91	90
Units managed on behalf of others	9	8
Garages	798	798
Commercial Properties	21	21

* including 54 social rented properties which were demolished in the year as part of our PRC development programme.

Governance and Management

During 2012/13 the Board met 10 times to provide effective governance to the business. During 2012/13 the Board was supported by its Audit and Standards Committee and also the Remuneration Committee.

The Board has formally adopted the updated National Housing Federation Code "Excellence in standards of conduct". This code not only underpins the way the board operates but also forms the basis of an ongoing commitment to governance excellence and continuous strengthening of its governance arrangements.

Further details of the individuals who held these roles during 2012/13 are provided on page 3.

Operating and Financial Review (continued)

Regulatory Status

The Company is a Registered Provider (RP) of Social Housing and is regulated by the Homes & Communities Agency (HCA) under the Regulatory Framework for Social Housing in England.

Each year the HCA carries out an assessment of RP's and publishes Regulator Judgements which cover two areas; governance and financial viability. North Devon Homes attained the following highest Regulatory Ratings:

- **Properly Governed: G1**
The provider meets the requirements on governance set out in the Governance and Financial Viability standard.
- **Viable: V1**
The provider meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively.

Corporate Priorities and Strategies

The Company's vision, objectives and strategies are established in our 3 year Corporate Plan, *North Devon Homes; Me, My Home, My Neighbourhood, My Landlord*. Through this plan, the organisation has set out four clear corporate objectives through which to deliver a vision of "*working together to create communities where people want to live*". These are:

1. Me: Placing Customers at the Heart of What we do;
2. My Home: Maintaining Quality Affordable Homes;
3. My Neighbourhood: Improving, Supporting and Developing our Neighbourhoods;
4. My Landlord: Improving and offering good Value for Money.

Underpinning these Corporate Objectives, the following specific priorities were delivered in 2012/13:

1. Demolished pre reinforced concrete (PRC) properties, started construction on site and completed 23 new homes;
2. In house responsive repairs team North Devon Homes Property Services restructured to create Home 2 Home;
3. Welfare Reform Strategy introduced placing the Company in an excellent position to mitigate risk;
4. Further strengthened co-regulation and scrutiny to support effective Governance;
5. Strengthened the approach to Business Continuity and established an Incident Management Team;
6. Introduced electronic Governance; and

Operating and Financial Review (continued)

7. Successful application of change management processes to improve Company performance.

Performance in the Period

The priorities for 2012/13 set by the Board and Executive, with an update on progress are detailed below:

1. **Demolished pre reinforced concrete (PRC) properties, started construction on site and completed 23 new homes.**

2012/13 has been an exceptional year for the Company Regeneration Programme and the start to the delivery of a mixed tenure future.

This year the Company started the construction of 135 new homes on sites at Forches, Pill Gardens, Beechfield Road and Kiln Close. Of the 135 new homes on site we have completed 23 new homes and continue with the programme of remaining starts onsite of 95 units planned for 2013/14. The Company also completed the purchase of 3 new market rent and 2 Section 106 properties.

In addition to building new homes we have also completed a programme of refurbishment to 36 existing PRC properties at Woodville leading to the redevelopment of the remaining estate to provide in excess of 60 new homes which will be for rent and for sale.

2. **In house responsive repairs team North Devon Homes Property Services restructured to create Home 2 Home.**

Home 2 Home Repairs is the internal repairs service of North Devon Homes which currently undertakes approximately 4,000 general building responsive repairs for North Devon Homes per year. In March 2012, a strategy was presented to the Company Board which set out the performance, vision and strategy for achieving an improved general buildings repairs service for the Company.

This strategy set out six key objectives as follows:

1. Stabilising the service and developing a foundation for maintaining improvement;
2. Creating the conditions for further improvement;
3. Undertaking analysis to establish the facts;
4. Implementing initial changes;
5. Understanding and setting the business case for future growth; and
6. Consulting with customers and front line staff.

Operating and Financial Review (continued)

The strategy set out a goal to 'get our own house in order' by March 2013. This aim has been delivered through the year 1 implementation of the strategy. In summary, as a result of the work undertaken in year 1 the following has been delivered:

- Quarter 1 loss of £40k and projected year end loss of £160k against benchmark target (SOR +5%) converted to a Year End position of £14k surplus;
- On time performance for all responsive repairs of 98% compared with 94% at the end of 2011/12; and
- Customer satisfaction for Home 2 Home at 95% compared to 93% in 2011/12.

3. Welfare Reform Strategy introduced placing the Company in an excellent position to mitigate risk.

During 2012/13, the Company has been working to fully understand the impact of the changes that were planned for the initial phases of Welfare Reform and to make preparations to reduce, manage and / or mitigate the risks associated with these changes. A Project Team, led by the Director of Neighbourhoods was established early in the year to deliver this. The strategy that was developed for managing this risk has focussed upon:

- Continuing our preventative approach to rent arrears to start the 2013/14 financial year from a position of strength with as few customers in arrears as possible;
- Ensuring that we know enough about our customers to deliver a proportionate, personalised and tailored approach to problems;
- Analysing and understanding the Welfare Reform changes that will impact our customers and the potential that they have to impact upon the Business Plan;
- Engaging with and communicating with those customers who would be affected by the changes in person wherever possible;
- Changing our systems to be ready for new arrangements; and
- Developing ways to monitor and track the success of this strategy as it is implemented.

As a result of our work we finished the year with current rents arrears of just £37k (0.28% of rent roll) and had engaged with all but 2 of the 339 customers who were to be impacted by the first wave of reform. We intend to build from this position during 2013/14 to reduce, manage and / or mitigate the risks associated with the further changes planned by central government.

4. Further strengthened co-regulation and scrutiny to support effective Governance.

The emphasis on building strong and effective co-regulation which is supported by customer scrutiny activity has continued through 2012/13. On 1 April 2013, the Scrutiny Panel at North Devon Homes was formally constituted to work alongside the Customer Forum, providing a strong customer voice to support effective governance. During the year the panel have recruited to full strength, finishing the year with 86% attendance.

Operating and Financial Review (continued)

On 1 November 2013, the Customer Forum and the Board held a joint away day to consider:

- Progress made in delivering the 2012 -15 Corporate Plan;
- Value for Money;
- The future opportunities for Supported People services; and
- The future direction of Scrutiny work at North Devon Homes

At this joint Customer and Board Away Day, the Scrutiny Panel presented their first scrutiny report on *Voids and Lettings*. The format of reports and mechanisms for linking the work of the Scrutiny Panel into the Board was confirmed.

Following this, the Scrutiny Panel confirmed a programme of work with the Board in January 2013 and has been delivering reports through to the Board in accordance with this programme

In addition, the Scrutiny Panel undertook a leadership appraisal in March 2013 and agreed further appraisal and support programmes to continue to embed and improve work in this area going forward.

5. Strengthened approach to Business Continuity and established an Incident Management Team.

The Company carried out organisational wide business impact assessments and risk analysis. The outcomes of these were used to inform the Business Continuity Plan and Housing Stock Contingency Plan. An Incident Management Team was established to respond to business disruption and manage a planned response. A robust and concise version of the plan was distributed to all staff informing them what actions to take in the event of an incident.

6. Introduced Electronic Governance

During the year the Company developed paperless Board meetings using tablet technology. This has resulted in savings of £2,500 per annum in addition to efficiency gains and a platform for further Board support and development.

7. Successful application of change management processes to improve Company performance.

There were a number of successful change management processes carried out in 2012/13, which included;

- Changes made to the way in which the Company pay multi skilled operatives in order to increase productivity and ensure continued financial viability. Operatives shifted from a guaranteed salary irrespective of performance to a pay structure that reduced basic pay, set on target earnings and provided an opportunity to increase earning through productivity.
- Introduction of the Bradford Factor System across the whole Company to improve sickness absence levels. Changes included non-payment of 1st day of

Operating and Financial Review (continued)

absence after hitting a specific trigger point which required contract variations for all staff. This has led to an improvement in sickness levels.

- Introduced Christmas opening to provide a better service to customers over the period, only closing on Statutory Bank Holidays. Two days' holiday previously issued as Company days to aid closure has been added to employees' annual holiday entitlement.
- Cultural change is a key aspect of the Organisational Development Strategy 2012/15. Corporate values were reviewed with staff input. The Company received a listing in The Sunday Times Top 100 at No.42 for not for profit employers in March 2013. Survey results have provided information that will inform ongoing further cultural change.

Staff are fully consulted and involved in the change processes.

Key Performance Indicators (KPIs)

The North Devon Homes Board and Executive Team monitor the Company's key performance indicators, through quarterly performance reporting, and regular meetings of the Executive Team. Performance information is widely available in customer newsletters, on the website and in our offices.

During 2012/13 the performance management framework was further strengthened through the extended use of the specialist performance management system introduced in the previous year. The web based system is now used by all managers to monitor and manage performance and delivery across the business including our corporate plan, service excellent plans and quarterly performance reports.

Performance across the organisation as at 31 March 2013 is summarised on the following page:

Operating and Financial Review (continued)

Performance at year end 2012/13

Here is how we are performing in some of our key areas compared to the same period 2011/12

The background colour tells us if we are on, near or have missed our target. The expression on the face shows if our performance has improved, decreased or is unchanged since the same time last year.				
<ul style="list-style-type: none"> ⊕ performance improved ⊙ performance unchanged ⊖ performance decreased 	<ul style="list-style-type: none"> on target near target not on target 	2011/2012	2012/2013	TARGET
POSITION				
CUSTOMER SATISFACTION				
Satisfaction with overall service provided by NDH	88%*	91%*	86%	😊
Complaints received	37	32	No Target	N/A
Complaints upheld	16	22	No Target	N/A
Compliments received	296	171	No Target	N/A
REPAIRS				
Customer satisfaction with the repairs service - overall	97%	97%	95%	😊
Emergency repairs completed within 24 hours	96.3%	98.4%	99.0%	😊
Urgent repairs completed within 7 calendar days	94.8%	97.6%	98.1%	😊
Routine repairs completed within 28 calendar days	93.3%	97.7%	97.2%	😊
CUSTOMER CARE TEAM				
% of calls answered within 15 seconds (CCT calls only)	93%	76%	90%	😞
No. of customer satisfaction survey responses by telephone	726	893	720	😊
PLANNED MAINTENANCE				
Customer satisfaction with planned improvements - overall	93%	95%	95%	😊
GAS SAFETY				
Properties with a gas safety certificate	99.76%	99.95%	100%	😊
ANTISOCIAL BEHAVIOUR				
Number of new antisocial behaviour cases	133	123	No Target	N/A
Number of closed antisocial behaviour cases	147	126	No Target	N/A
CLOSED minus NEW antisocial behaviour cases	14	3	0+	😊
CUSTOMER INVOLVEMENT				
Number of customers involved in consultation	1,713	1,523	1,600	😊
RE-LET PROPERTIES				
Number of properties re-let	224	225	No Target	N/A
Average time to re-let general needs properties	17.7 days	15.7 days	19.8 days	😊
Average time to re-let properties designated for older people	22.5 days	29.5 days	25.0 days	😞
Rent loss due to empty properties (as a % of rental due)	0.60%	0.60%	0.77%	😊
RENT COLLECTION				
Outstanding rent (current customers)	0.37%	0.28%	1.20%	😊
Outstanding rent (former customers)	0.36%	0.39%	0.58%	😊
CORPORATE HEALTH				
% of sick days lost (short and long term)	3.9%	3.0%	3.0%	😊
Staff turnover (rolling average)	14.7%	9.2%	11.8%	😊
FINANCE				
Liquidity Ratio	0.96	1.07	1.00	😊
Asset cover ratio	78.4%	85.6%	100% max	😊
Net operating cashflow divided by total interest cover	121.9%	182.81%	59.38% min	😊
SALES				
Right to buy / right to acquire sales completed	2	13	No Target	N/A

* Figure from 2007 customer survey; current performance figure from 2009 customer survey

Operating and Financial Review (continued)

Risk Management

The Company has a clear framework for managing risk and during the year the Board ensured that controls and action plans are in place to mitigate our key strategic risks. The Board annually agrees its top risks and these are reviewed by the Audit and Standards Committee on a quarterly basis. The Executive Team and the Board have an open dialogue regarding the key and emerging risks to the business, and this ensures that the Board understands the risks and receive assurance regarding the systems of internal control.

The key risks which the Company faces are:

Risk	Control measure / Status
Company fails to deliver the PRC project which prejudices grant payment	<p>Practical completion at Forches Phase 1 has been delayed, however additional resources are being applied to the site.</p> <p>The Company has renegotiated grant submission dates with the HCA and Partnership South West (PSW), who have been kept informed and individual grant claims will be made as sectional handovers are completed.</p> <p>Forches Phase 2 and 3 have been contracted and work on site has commenced with the construction of access roads now completed.</p> <p>All rural schemes are into contract and their delivery is at various stages of completion, with Instow having been completed and work underway at Bratton Fleming and Lovacott.</p> <p>Pill Gardens has also progressed well with some completed property completions in June 2013. Marketing has commenced for the properties to be sold.</p> <p>The Board are regularly kept up to date with the detail of the delivery and financials against the Regeneration Project Plan and Strategy.</p> <p>HCA audit requirements are being amended to follow the updated Framework Delivery Agreement and we will be amending our internal control procedures to ensure that any changes are complied with.</p>

Operating and Financial Review (continued)

Risk	Control measure / status
<p>Higher arrears as a result of the introduction of Universal Credit and other changes to the welfare system</p>	<p>Current performance in rent collection remains a strength with high levels of income collection and low levels of rent arrears.</p> <p>The Board has received updates on Welfare Reforms most recently in May 2013 which sets out the issues, the impact and the actions identified for managing this risk. The risk action plan has been updated to reflect this.</p> <p>The arrears levels are monitored weekly to measure the impact of the bedroom tax.</p> <p>Planning for the introduction of Universal Credit is underway.</p>
<p>Supporting People funding changes & service redesign have an adverse impact on business plan</p>	<p>A strategy has been developed and was presented and approved by the full Board to strengthen our position in this area in April 2013.</p> <p>The strategy aims to:</p> <ol style="list-style-type: none"> 1. Improve the diversity of our service offer; 2. Market our service more effectively; and 3. Develop a more balanced position with regard to self payers and the SP funded service <p>In addition, we continue to liaise proactively with Devon County Council (DCC) on future funding and have completed our implementation of the ECCO system for electronically managing customer data.</p> <p>Progressing this electronic system will demonstrate the impact of the service, allow the commissioner to better evaluate the impact and support the organisation in better aligning service delivery with needs.</p>

Operating and Financial Review (continued)

Risk	Control measure / status
<p>Cost of employers' pension contributions greater than planned</p>	<p>The Director of Resources receives updates from the Social Housing Pension Scheme (SHPS) and Devon County Council Pension Scheme and information is shared for Board discussion and decision as appropriate. The last SHPS valuation was carried out in September 2011.</p> <p>The result of the previous valuation September 2008 was a deficit of £663m, which resulted in the Company paying a past service deficit of £98k per annum (2012 amount, increasing by 4.7% per annum and payable until 2023). The deficit increased as a result of the September 2011 valuation to £1 billion. However, this time the Company's share was based on its share of actual liability. The additional past service deficit payable is £21k from 2013/14 (increasing by 3.0% payable until 2026), significantly lower than the previous amount.</p> <p>In November 2012, the Board adopted a policy (recommended by the Remuneration Committee) that any increase in the past service deficit will be paid by the Company. Any increase in future service contribution rates will be paid by the employees.</p> <p>From 1 May 2014, the Company has a statutory duty to automatically enrol certain employees into a suitable pension scheme. The Company has set up the Auto Enrolment Project Team which is working through the administration requirements and is in the process of identifying suitable schemes. As this would involve all employees we carried out a briefing at the Staff Forum to inform employees and to receive their input into choosing a provider. We are currently considering our current provider SHPS and NEST – National Employment Saving trust. We have asked employees to nominate a third provider. The Company has calculated that the cost of auto enrolling those employees not in a current pension scheme into the current open SHPS scheme, with an employer contribution of 5.5%, is around £70k per annum.</p>

Operating and Financial Review (continued)

Risk	Control measure / status
Direct Labour Organisation (Home 2 Home) - uncompetitive performance and viability	<p>The Home 2 Home Strategy is being delivered and progress reports are being brought regularly to the Board. The last such update was presented to the March 2013 Board.</p> <p>The initial objectives as set out within the strategy have been largely delivered and we are now moving into year 2 of the strategy, intended to focus upon broadening the range of repairs that the Company delivers to customers. To support this, an outline business case presenting some of the issues that will be considered in further detail as and when decisions are required, was presented and approved by the Board in April 2013.</p>
Risk that social housing reform leads to higher than anticipated rates of Right to Buy (RTB) property.	<p>Negative impact of loss of properties on the business plan resulting in lower rental income and the failure to secure recycled receipts to replace properties lost as a result of RTB.</p> <p>An outline agreement has been reached with the Leader of the Council but this has got to be formally approved.</p> <p>The funders have been kept informed of progress. A detailed update of this risk was presented to the Audit and Standards Committee on 3 September 2012.</p>

Value for Money

Value for Money (VfM) has been a key area of focus and has been integral in everything that the Company does from setting strategies through to operational activities. The VfM Strategy was updated in March 2012 to reflect the additional requirements of the VfM Standard in the HCA's new Regulatory Framework. The Board agreed a three year VfM Action Plan to deliver the strategy. In order to provide a logical framework, VfM activities in the Action Plan are grouped into the following key areas;

- 1) Embedding VfM
- 2) Benchmarking
- 3) Procurement
- 4) Customer Involvement & Scrutiny Panel
- 5) Budgetary Level
- 6) Strategic VfM Objectives
- 7) Performance Management

Progress against the VfM Action Plan is reported to the Board on a regular basis; this was last reported in April 2013.

Operating and Financial Review (continued)

Embedding VFM

A Vfm Briefing Note was produced for all budget holders and all staff in August 2012. The objective of the note was to provide a quick and effective overview of the Vfm Strategy, the Procurement Strategy and the Financial Regulations in a simple and easily understandable format.

In order to further embed Vfm, the Company has also undertaken the following activities:

- Vfm presentations at numerous All Staff Breakfast and Line Managers Meetings. The contents have ranged from explain and discussing the Vfm concept to sharing sector benchmarking data and analysis;
- Meetings with individual budget holders during the Company budget setting process, to support budget holders to identify Vfm savings;
- Increasing financial business literacy across the Company. Attending individual Team Meetings to share actual expenditure in areas of budget responsibility and areas where spend can be influenced. Production of an in-house Financial Times style publication, the Financial Facts; and
- Ensuring that Vfm is fully incorporated within the Company Service Excellence Plan and the Performance Development Framework.

Benchmarking

The Company is a member of HouseMark, the social housing sector benchmarking service. The latest HouseMark benchmarking report was published in January 2013. In order to embed Vfm, the results of this have been shared with Line Managers and at the All Staff Breakfast meeting. The information and subsequent in depth analysis was also presented to the Board. In order to more effectively utilise the benchmarking data, the Company requested further breakdown from Housemark which drills down into 'cost code' information.

The total operating cost for the Company was benchmarked against a peer group comprising of 31 other Southern Large Scale Voluntary Transfer (LSVT) Registered Providers. Average property ownership in the peer group was 4,041, with the largest RP owning 7,698 properties. The Company was the smallest in the peer group with 3,111 properties.

HouseMark validated the total operating cost with reference to the audited accounts for the year ended 31 March 2012. The total operating costs were allocated into employee costs, non-pay costs and reconciling items, which includes impairment and depreciation. Pay costs and non pay costs are further allocated into direct costs and overheads. The Company's position in comparison to the peer group's upper, median and lower quartiles is shown in the table below.

Operating and Financial Review (continued)

Cost Per Property	Peer Group			NDH Ltd
	Upper	Median	Lower	
Total Operating Cost	£3,294	£3,776	£4,235	£2,950
Employee Cost	£819	£1,070	£1,234	£1,010
Direct Staff	£591	£837	£1,022	£708
Overhead Staff	£222	£264	£302	£302
Non-Pay Cost	£1,671	£1,948	£2,209	£1,369
Direct Non-Pay	£1,371	£1,638	£1,914	£1,045
Overhead Non-Pay	£289	£369	£420	£324

Green – upper quartile

Yellow – medium quartile

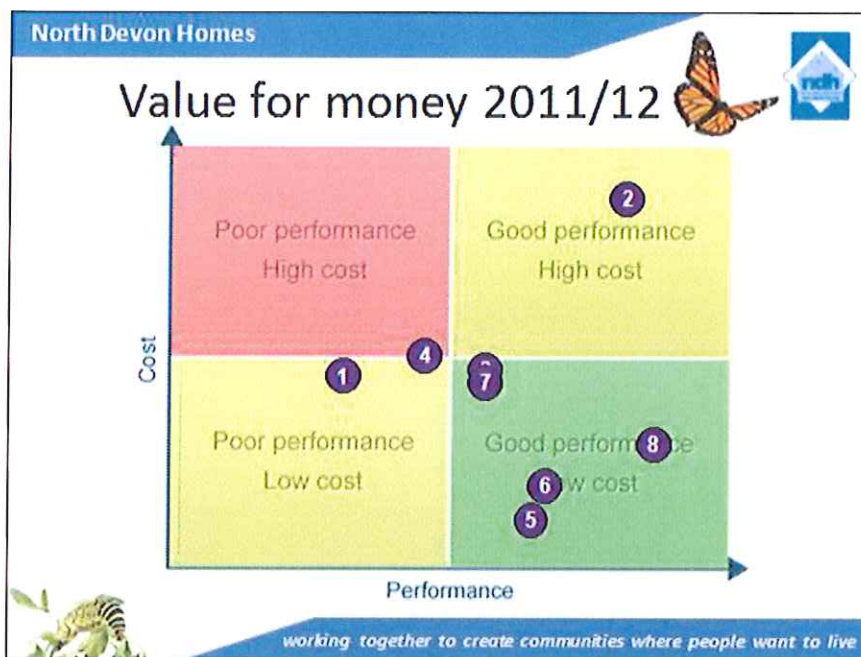
Red – lower quartile

The Company's total operating cost per unit is in the upper quartile and is the third lowest in the peer group at £2,950 per property. The lowest total operating costs in the peer group is an RP at £2,850, which owns 6,696 properties. Further analysis demonstrated that the Company's benchmarking performance is excellent in comparison to others as it has less properties to share the fixed direct and fixed overhead costs.

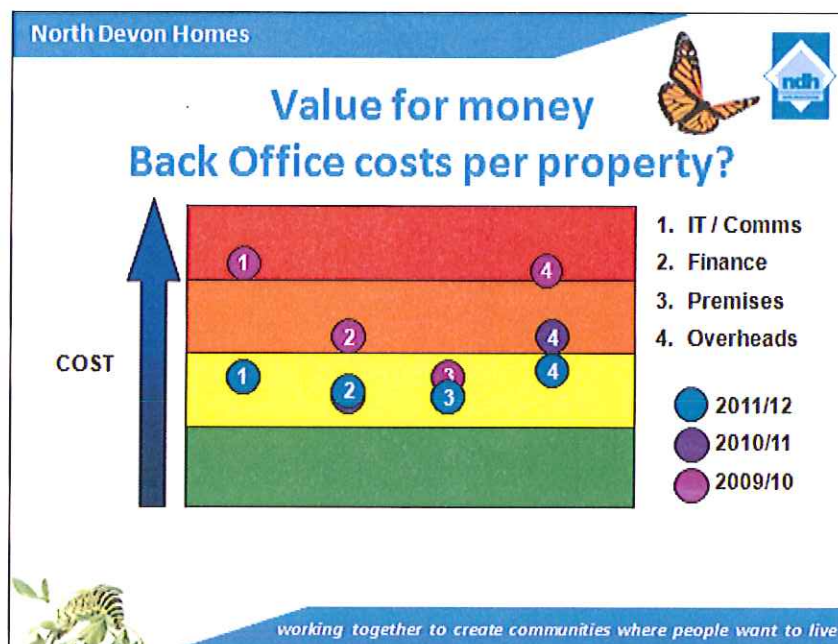
The detailed cost code analysis has been shared with Heads of Service and will be used during budget setting 2014/15 to set VfM targets over the next five years for each service area.

In addition to the pure cost analysis, the Company is clear that VFM is not about cutting costs, it is about creating better value with the available resources. The following cost performance matrix demonstrates the Company's commitment to provide an excellent VfM service.

Operating and Financial Review (continued)



1. Responsive repairs and void works
2. Rent arrears and collection
3. Anti social behaviour
4. Major Works and cyclical maintenance
5. Lettings
6. Tenancy Management
7. Resident involvement
8. Estate Services



Furthermore, the Company continually seeks to make improvements in respect of overheads, which is demonstrated in the chart above.

Operating and Financial Review (continued)

Procurement

The Company is a member of Procurement for Housing and Advantage South West (ASW) to gain advantage of collective purchasing power. Further improvements are expected in procurement as the Company has completed a thorough review with expertise from ASW.

Customer Involvement and Scrutiny Panel

Presentations on VfM have been delivered to the Customer Forum and more work is planned during 2014/15, in particular during budget setting.

In order to evaluate VfM and to measure what is being achieved, clear Scrutiny Panel objectives have been set. Involvement of the Scrutiny Panel was sought from the outset in setting these objectives and evaluating VfM within service reviews. An 'audit trail' was established to assess VfM and to validate the business case for what is being done or recommended and reported to the Board. Customers are central to and drive the process throughout this work through a Scrutiny framework which involves customers in shaping, influencing and monitoring all aspects of our housing service.

Based on our analysis of information collected and reviewed which has been supplemented by interviews and discussions with staff and inspections, a Stop, Start, Continue measurement has been implemented to reflect what is VfM and what is not.

To demonstrate VfM and improvements, action plans are presented to the board alongside the Scrutiny reports that demonstrate;

- The impact of the involvement of the customers within Scrutiny and staff; and
- Recommendations around efficiencies, money or time saving as a result of the Scrutiny review.

Budgetary Level

The standard Budget Setting Timetable was updated to differentiate timeline and deadline dates for different departments, based on complexity. The following VfM actions were carried out with individual budget holders during budget setting:

- Identify controllable / non controllable expenditure drivers;
- Review of cost codes to aid decision making, monitoring and control; and
- Establish 'spend to save' principles to encourage longer term cost savings.

Mid-year budgetary review meetings were also carried out by the Director of Finance and the Financial Controller. Budget holders were asked to demonstrate;

- How VfM was achieved during the first six months;
- How they intend to contribute towards VfM in the next six months; and
- Give indications of likely savings.

Operating and Financial Review (continued)

Strategic VfM Objectives

The Board has set the strategic VfM direction for the Company in the Corporate Plan Objective 4 – My Landlord: Improving and offering good Value for Money. The objective was incorporated into the VfM Strategy and to ensure operational delivery, into the VfM Action Plan. Board members have received regular updates on VfM and progress reports against the action plan. Board members are fully aware of the Company's absolute and comparative cost of delivering services.

Performance Management

The Company has a robust Performance Management Framework in place. The Corporate Objectives set by the Board are cascaded into Service Excellence Plans (SEP's) for each service areas. The SEP's inform the Performance Development Framework (PDF's) for each member of staff. Both the SEP's and the PDF's are regularly monitored to ensure operational delivery. The framework is supported by the Key Performance Indicators which are continually used by operational managers, and reviewed by the Executive Team and the Board to monitor outcomes and outputs. A summary table of key performance indicators for the year is shown on page 13.

Financial Review

Income from lettings increased in the year by 5.9% (2012: 1.3%) from £11.814m in 2012 to £12.522m in 2013. There was an increase in turnover within other non letting activities of £93k (2012: £26k) which was largely due to project funding from the Big Lottery.

The operating surplus for the year was £3.584m (2012: £4.174m), a decrease of £591k from the previous year. This was attributable to increased spending on planned and routine maintenance. During the year £1.300m (2012: £1.526m) of major repairs expenditure was written off to the Income and Expenditure Account and in addition £1.208m of works were capitalised (2012: £2.676m).

The Company's surplus for the year was £1.148m (2012: £1.436m). This amount was transferred to revenue reserves.

Debt Profile

The Company finances its operations predominantly through a long-term loan facility of £85m with Lloyds TSB. The current loan agreement with Lloyds has two financial covenants: net cash inflow from operating activities to interest payable, and asset cover. There were no covenant breaches during the year.

During the year £6m was drawn down from the loan facility. At 31 March 2013 the debt profile was as follows:

Loan Facility	2013	2012
Fixed Rate Loans	£51,300,000	£51,300,000
Variable Rate Loans	£20,400,000	£14,400,000
Total Loans	£71,700,000	£65,700,000
% unhedged	28%	22%
Average cost of funds	3.88%	4.25%
Total Facility	£85,000,000	£85,000,000

Operating and Financial Review (continued)

At the year end undrawn committed facilities amounted to £13.3m (2012: £19.3m). The average maturity of net debt, including these facilities was over five years (see note 15).

Treasury operations are managed by the Director of Resources within parameters set down by the Board of Management through its Treasury Management Strategy. This activity is regularly reported to and monitored by the Board. External advice is sought in relation to policy, strategy and training in this area.

Cash Flows

Cash inflows and outflows for the period under review are contained in the Cash Flow Statement on page 32. The main net cash inflows from operating activities are from housing management activities. The net cash outflow from capital expenditure is the net expenditure (after grant) on PRC project initiation, development properties and planned maintenance improvements, including the replacement of components of housing properties.

Market value of land and buildings

The Company's housing stock was last valued as at 31 March 2011. Using the existing use value social housing (vacant units re-let) methodology, FPD Savills provided a valuation of £109.860m in respect of the whole social rented housing stock and £98.015m in respect of the property charged to Lloyds TSB Bank plc (2008: £82.6m). As at 31 March 2013, the loan debt outstanding on the properties is £71.7m (2012: £65.7m).

Statement of compliance

The Board of Management confirms that the Operating and Financial Review has been prepared in accordance with the principles set out in the Statement of Recommended Practice: Accounting by Registered Social Housing Providers update 2010 (SORP 2010).

Statement of the Board of Management's Responsibilities

The Board of Management is responsible for preparing the Board of Management Report, the Operating and Financial Review, the Report of the Board on Internal Control 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 Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period.

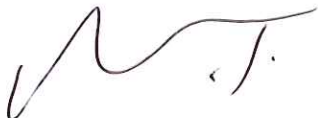
In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; 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 is 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, the Housing and Regeneration Act 2008 and the accounting requirements within the Accounting Direction for Private Registered Providers of Social Housing 2012. The Board is 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 Board is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Nick Lewis
Chairman of the Board
16 September 2013

Report of the Board on Internal Control

The Board acknowledges that it has overall responsibility for establishing and maintaining the internal control systems for the Company and for reviewing their effectiveness. The systems in place focus on:

- the significant risks that threaten the Company's ability to meet its objectives as described in its business plan; and
- the prevention of fraud and safeguarding of assets against unauthorised use or disposition.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the risks faced by the Company is ongoing and part of its Risk Management Framework that has been in place throughout the period, up to the date of approval of the annual report and financial statements. The Audit and Standards Committee receives a report on the key risks facing the Company at each meeting, and Board agendas focus on items of most significant risk. The Board had an away-day during the year to review and approve the corporate strategy including risk in detail. An operational risk team is in place, comprising senior members of management across all areas of the business, to review the Company's risk map, ensure that risk management is embedded within the business, to improve the early identification of emerging risks, and to track progress against the appropriate risk action plans. As a result of these controls the risk map has been updated regularly throughout the year and risks realigned or developed in response to the changes that the sector has faced.

The Company produces a business plan which is updated on an annual basis, and details the Company's objectives and contains a 30-year financial forecast. This plan identifies the threats and opportunities in the Company's environment which may prevent the achievement of objectives. The plan outlines the key operational objectives and actions to mitigate or take advantage of the issues identified.

The day-to-day operation of internal control is delegated to the Executive Officers. The Company has a clearly defined organisational structure based upon an approved system of delegation and authorisation that includes members of the Board of Management and the Company's officers. The levels of authority are set out in Standing Orders, Financial Regulations and an Authorities Schedule that has been adopted by the Board of Management and is subject to periodic review.

All policies require Board approval and some of the key policies that are established to ensure effective internal control are shown below.

- | | |
|---|---------------------------------------|
| • Budgetary Control | • Board Members' Responsibilities |
| • Board Member Code of Conduct & Disciplinary | • Code of Governance & Accountability |
| • Anti Fraud and Anti Bribery Policy | • Rent payment and arrears recovery |
| • Contractor procurement | • Audit |
| • Risk management | • Treasury Management Policy |
| • Disciplinary policy | • Whistleblowing |

Report of the Board on Internal Control (continued)

- Data Protection
- Computer Security
- Hospitality, gifts and interest

The Company has suitably qualified and experienced staff who are responsible for its business functions. Recruitment and induction and training processes are comprehensive and are designed to ensure that staff entering the organisation are both qualified and committed to working with the Company and the achievement of its objectives.

The Company has an ongoing internal audit plan and PriceWaterhouseCoopers were employed as internal auditors during the year. The Company also employs consultants, where necessary, who provide specialist support, advice and training where appropriate. The Company engages Hargreaves Risk and Strategy consultants to provide specialist advice on risk. It also engages EC Harris Treasury Services for funding and treasury advice.

The Company has an anti-fraud policy in place, covering prevention, detection and reporting of fraud and mitigation of fraud risk has been incorporated into the Company's performance review process. The Board reviews the fraud register at each Board meeting, and can confirm that no frauds against the Company have been identified during the year.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, appointed an Audit and Standards Committee to oversee risk and internal control.

The Audit and Standards Committee approves an annual internal audit plan, reviews the effectiveness of internal control systems and has an active role in the promotion and monitoring of standards in the Company. The Audit and Standards Committee achieves this by considering risk reports, recommendations on internal audit reports, and agreeing appropriate responses and action with the Executive Officers; reviewing the external auditors' management letter; and by undertaking specialist reviews on areas such as health and safety and business continuity. The internal and external auditors are guaranteed a right of direct access to the Board of Management and the Audit and Standards Committee of the Company should they identify any material internal control concerns.

By order of the Board



Martyn Gimber
Company Secretary
16 September 2013

Independent Auditor's report to the members of North Devon Homes Limited

We have audited the financial statements of North Devon Homes Limited for the year ended 31 March 2013 which comprise the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 24, the Board of Management (who are also the directors of the Company for the purposes of company law) is responsible for the preparation of 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 (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and The Accounting Direction for Registered Providers of Social Housing 2012.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Board of Management Report, the Operating and Financial Review and the Report of the Board on Internal Control for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Independent Auditor's report to the members of North Devon Homes Limited (continued)

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 and the Housing and Regeneration Act 2008 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- 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.



Jacqueline Oakes

Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson

Statutory Auditor

Chartered Accountants

25 Moorgate

London

EC2R 6AY

Date: 19 September 2013

North Devon Homes Ltd

Income and expenditure account for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Turnover	2	14,104	13,303
Operating costs	2	(10,520)	(9,129)
Operating surplus	2	3,584	4,174
Surplus on sale of properties	3	74	5
Interest receivable and other income	4	9	16
Interest payable and similar charges	5	(2,519)	(2,759)
Surplus on ordinary activities before taxation	6	1,148	1,436
Taxation	9	-	-
Surplus for the year	17	1,148	1,436

All of the Company's operations are classed as continuing.

Statement of total recognised surpluses and deficits for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Surplus for the year		1,148	1,436
Unrealised deficit on revaluation of investment property		(20)	(170)
Actuarial deficit on pension scheme	23	(254)	(722)
Total recognised surpluses and deficits since the last annual report		874	544

Balance sheet as at 31 March 2013

	Note	2013 £'000	2012 £'000
Tangible fixed assets			
Housing Properties	10a	86,865	79,260
Social Housing Grant	10a	(8,988)	(8,250)
Other grants	10a	(489)	(465)
		77,388	70,545
Other tangible fixed assets	10b	3,282	3,314
Investments	10c	15	5
Total fixed assets		80,685	73,864
Current assets			
Debtors	11	1,413	844
Stock	12	1,172	206
Cash at bank and in hand		1,429	1,427
		4,014	2,477
Creditors: amounts falling due within one year	13	(3,761)	(2,590)
Net current assets / (liabilities)		253	(113)
Total assets less current liabilities		80,938	73,751
Represented by:			
Creditors: amounts falling due after more than one year	15	71,700	65,700
Pension liability	23	2,162	1,861
Revenue reserves	17	7,225	6,331
Investment revaluation reserve	17	(161)	(141)
Restricted funds	17	12	-
		80,938	73,751

These financial statements together with the associated notes on pages 33 to 58 were approved by the Board on 16 September 2013 and were signed on its behalf by:



Nick Lewis
Chairman



Martyn Gimber
Company Secretary

North Devon Homes Ltd

Cash flow statement for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	18	5,840	4,778
Returns on investments and servicing of finance:			
Interest received		12	16
Interest paid		(2,828)	(2,792)
		(2,816)	(2,776)
Capital expenditure:			
Payments to acquire tangible fixed assets		(10,395)	(4,843)
Receipts from sale of tangible fixed assets		1,103	195
Social Housing Grant received		256	42
Other grant received		24	96
Right to buy clawback		-	(87)
Investment		(10)	-
		(9,022)	(4,597)
Net cash outflow before financing		(5,998)	(2,595)
Financing:			
Loans received		6,000	-
Increase /(decrease) in cash in the year	19	2	(2,595)

Notes to the financial statements for the year ended 31 March 2013

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of investment properties, and in accordance with applicable accounting standards in the United Kingdom and the Statement of Recommended Practice Update 2010 ('SORP 2010'), "Accounting by Registered Social Housing Providers", and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

Turnover

Turnover represents rental income and service charges receivable net of voids, fees and revenue grants from local authorities and the Homes and Communities Agency ('HCA'), income from first tranche shared ownership sales and income receivable from other sources.

Rental income is recognised on the basis of the amount receivable for the year. Rental income received in advance is disclosed within creditors in the balance sheet.

Other income, including service charges, is accounted for on the basis of the value of goods or services supplied during the period.

Revenue grants are recognised within income in the same period as the related expenditure provided that the conditions for its receipt have been satisfied and there is reasonable assurance that the grant will be received.

First tranche shared ownership sales are recognised when legal completion occurs.

Valuation of fixed assets

Completed housing properties are included in fixed assets at cost.

The development cost of housing properties includes the cost of acquiring land and buildings less accumulated depreciation, the cost of contracted works completed to date, directly attributable development costs and attributable interest charges incurred during the development period. Housing properties in the course of construction and those subject to shared ownership are stated at cost.

All costs relating to capital expenditure incurred in the year are included in the financial statements at gross value before retentions.

Expenditure on items not separately identified as components is capitalised if the expenditure results in an increase in the net rental stream over the life of the property, over the standard originally assessed when the property was first acquired or constructed.

Capitalisation of development costs

Development costs which arise directly from the construction or acquisition of a property are capitalised to housing properties in the course of construction.

Notes to the financial statements for the year ended 31 March 2013 (continued)

1 Accounting Policies (continued)

Capital expenditure on schemes which are aborted is charged to the income and expenditure Account in the year in which it is recognised that the schemes will not be developed to completion.

Capitalised interest

Interest on borrowings, to the extent that they are financing developments, is capitalised up to the date of practical completion of the scheme.

Depreciation

Freehold land is not depreciated.

Housing properties

The Company accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives. The components identified, with their respective economic lives are as follows:

- Bathrooms	30 years
- Kitchens	15 years
- Doors	30 years
- Windows	32 years
- Electrics/rewires	30 years
- Gas boilers	15 years
- Electric heating	20 years
- Gas heating systems	30 years
- Solid fuel heating systems	25 years
- Air source heating systems	20 years
- Lifts	25 years
- Roofs	75 years
- Structure	100 years
- Pre-cast reinforced concrete existing wall refurbishments	20 years

Where a separately identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed within accelerated depreciation and the cost of the replacement component capitalised.

Notes to the financial statements for the year ended 31 March 2013 (continued)

1 Accounting Policies (continued)

Properties held on long leases are depreciated over the shorter of their estimated useful economic lives and the unexpired term of the lease.

Other fixed assets

Depreciation on other fixed assets is provided for on the following straight line basis:

- Freehold office buildings	50 years
- Photovoltaic panels	30 years
- Freehold office improvements	15 years
- Leasehold office improvements	15 years or over the unexpired term of the lease
- Plant and machinery	10 years
- Furniture, equipment fixtures and fittings	5 years
- Computer equipment	3 years
- Motor vehicles	3 years

Social Housing Grant

Social Housing Grant ('SHG') is paid by the HCA to subsidise the cost of housing properties and is included in fixed assets. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in excess of the cost of housing properties in the course of construction is shown as SHG received in advance and included as a current liability. SHG may be repayable on the sale, change of use or demolition of housing properties.

Impairment

Reviews for impairment of housing properties are carried out on an annual basis with any impairment being recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an asset exceeds the higher of its net realisable value and its value in use.

Each project under development is reviewed on a case by case basis to ensure its value in use is not materially below its net cost plus any initial subsidy approved by the Board at project approval. Where a deficit is identified, an impairment provision is made to reduce the value in the balance sheet in line with this Board approval. The corresponding charge is made to the income and expenditure account in the year the deficit is identified. Where future assessments increase or reduce the deficit further charges are made or released in the same way.

Mixed developments

Where a development is evaluated as a single scheme but has more than one element, such that one or more of the elements is expected to generate a surplus and one or more of the other elements has an EUV-SH below the cost less attributable grant ("the shortfall") then the surplus is

Notes to the financial statements for the year ended 31 March 2013 (continued)

1 Accounting Policies (continued)

reduced by the shortfall through the apportionment of the costs to each element of the scheme. This policy is applicable to all mixed development schemes where surpluses from properties are used to cross-subsidise rented properties.

Sale of housing accommodation

Surpluses on sales of housing accommodation comprise proceeds from property sales, which are recognised at the date of completion, less the following amounts:

- (a) the net book value of the properties;
- (b) any liabilities under Right to Buy sharing agreements with the local authority; and
- (c) any amounts required to be set aside into a Right to Acquire proceeds fund to be used for future investment in social housing.

Shared ownership

Shared ownership properties are shown at cost split between fixed assets and current assets.

For completed shared ownership properties the first tranche percentage is shown as stock and for properties under development the first tranche percentage is separately disclosed as work in progress.

The remaining part of the shared ownership properties is shown as fixed assets net of SHG and depreciation.

Proceeds from first tranche sales are included within turnover. Proceeds from subsequent tranche sales are treated as disposal of fixed assets.

Demolition

Where properties are demolished for development, the cost (net of depreciation) of the property, excluding land, is written off to operating costs. The cost of demolition is capitalised as part of the cost of redevelopment. An impairment review is carried out at the point a decision is made to demolish.

Investments

Investments are shown at cost less any amounts written off. Provisions are made for reductions in value.

Notes to the financial statements for the year ended 31 March 2013 (continued)

1 Accounting Policies (continued)

Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date on the basis of an annual professional valuation.

No depreciation is provided in respect of long leasehold investment properties where the lease has over 20 years to the date of expiry. Although this is in accordance with SSAP 19 it represents a departure from the Companies Act which requires the systematic annual depreciation of fixed assets. The Board believe that it is inappropriate to charge depreciation because the properties are held for their investment potential and the departure is therefore necessary in order for the accounts to give a true and fair view. The amount of depreciation and amortisation which might otherwise be provided cannot be separately identified or quantified. Depreciation is provided on long leasehold investment properties where the lease has 20 years or less to the date of expiry on a straight line basis over the life of the lease.

Stock

Stock is stated at the lower of cost and net realisable value.

Leases

Assets held under finance leases are included in fixed assets and the capital element of the related lease commitment is shown as obligations under finance leases within creditors. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit over the period of the lease.

Costs in respect of operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable surpluses and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable surpluses from which the underlying timing differences can be deducted. No deferred taxation is provided on the revaluation of investment properties unless by the balance sheet date, an agreement exists to sell an asset.

Notes to the financial statements for the year ended 31 March 2013 (continued)

1 Accounting Policies (continued)

Value Added Tax ('VAT')

The Company is registered for VAT but a large proportion of its income, including its rents, is exempt for VAT purposes. The majority of its expenditure is subject to VAT which cannot be reclaimed, and expenditure is therefore shown inclusive of irrecoverable VAT.

Pension schemes

Retirement benefits to employees are provided by the Social Housing Pension Scheme ("SHPS") and the Devon County Council Pension Fund ("DCCPF") defined benefit pension scheme.

SHPS

The company contributes to the Social Housing Pension Scheme ("SHPS"), a funded multi-employer scheme. It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure account charge represents the employer contributions payable to the scheme for the accounting period.

DCCPF

The DCCPF assets are measured using bid values. The scheme liabilities are measured using a projected unit method and discounted at the rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the period is charged to staff costs. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in interest receivable/interest payable. Actuarial gains and losses are recognised in the Statement of Total Recognised Surpluses and Deficits.

Provisions

Provisions are only recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restricted reserves

The restricted reserves are needed to meet the requirements of the Big Lottery for the duration of the project. Income and expenditure for the year is included under other operating activities and any surplus of funds is transferred to the restricted reserve at the year end.

**Notes to the financial statements for the year ended 31 March 2013
(continued)**

2 Turnover, operating costs and operating surplus

(a) Total operating activities

	2013			2012		
	Turnover £'000	Expenditure £'000	Surplus £'000	Turnover £'000	Expenditure £'000	Surplus £'000
Social housing lettings	12,522	(9,506)	3,016	11,814	(8,257)	3,557
Other social housing activities:						
Current asset property sales	135	(115)	20	-	-	-
Charges for support services	597	(549)	48	655	(584)	71
	13,254	(10,170)	3,084	12,469	(8,841)	3,628
Non social housing activities	759	(259)	500	834	(288)	546
Restricted funds (Big Lottery)	91	(91)	-	-	-	-
Total	14,104	(10,520)	3,584	13,303	(9,129)	4,174

(b) Income and expenditure from social housing lettings

	General needs	Supported Housing and housing for older people	Total	Total
	2013 £'000	2013 £'000	2013 £'000	2012 £'000
Rent receivable net of identifiable service charges	10,157	2,072	12,229	11,603
Service charge income	139	154	293	211
Turnover from social housing lettings	10,296	2,226	12,522	11,814
Expenditure on lettings:				
Management	(1,154)	(274)	(1,428)	(1,561)
Service charge costs	(264)	(271)	(535)	(523)
Routine maintenance	(2,189)	(454)	(2,643)	(2,280)
Planned maintenance	(1,185)	(261)	(1,446)	(828)
Major repairs expenditure	(976)	(242)	(1,218)	(1,526)
Bad debts	(13)	(6)	(19)	-
Depreciation of housing properties*	(1,851)	(381)	(2,232)	(2,047)
Impairment of housing properties	15	-	15	508
Operating costs on social housing lettings	(7,617)	(1,889)	(9,506)	(8,257)
Operating surplus on social housing lettings	2,679	337	3,016	3,557
Void losses	(56)	(17)	(73)	(71)

* includes £206k of accelerated depreciation on written-off general needs components.

Notes to the financial statements for the year ended 31 March 2013 (continued)

3 Surplus on sale of properties not developed for outright sale

	2013 £'000	2012 £'000
Proceeds of sales (gross)	968	195
Less amount taken to deferred income	(49)	-
Less amount taken to Disposals Proceeds Fund	(103)	-
Less NDC sharing of RTB proceeds agreement	(411)	(135)
Less costs of sales	(331)	(55)
	74	5

4 Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable	9	16

5 Interest payable and similar charges

	2013 £'000	2012 £'000
Other finance cost – pensions	54	25
Interest on loans wholly repayable in more than five years	2,821	2,779
Non utilisation fees	-	13
Interest payable capitalised on housing properties under construction	(356)	(58)
	2,519	2,759
Capitalisation rate	4.05%	4.2%

Notes to the financial statements for the year ended 31 March 2013 (continued)

6 Surplus on ordinary activities before taxation

	2013 £'000	2012 £'000
This is stated after charging:		
Depreciation on tangible fixed assets	2,193	2,180
Impairment provision	(154)	(754)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	17	21
Fees payable to the Company's auditor for other services:		
- tax compliance services	6	8
Rent of office accommodation	9	7
Other operating lease rentals	14	13

7 Directors' emoluments

Directors are defined as members of the Board and Executive Officers.

None of the Board Members receive emoluments (2012: £nil). The remuneration paid to the three Executive Officers of the company during the year was as follows:

	2013 £	2012 £
Emoluments (including benefits in kind)	292,002	279,998
Pension contributions – in respect of services as a director	21,418	18,516
Total emoluments	313,420	298,514

Emoluments (excluding pension contributions) paid to the highest paid director (the Chief Executive)		
Salary	113,451	111,532
Car Allowance	4,800	4,800
Other taxable allowances	546	637
Total emoluments	118,797	116,969

All three Executive Officers accrued benefits under defined benefit or defined contribution pension schemes (2012: three directors). The Chief Executive is a member of the defined benefit scheme as detailed in note 23 and participates on the same basis as other members. His accrued pension at 31 March 2013 was £40,108 (2012: £38,739) per annum.

Notes to the financial statements for the year ended 31 March 2013 (continued)

7 Directors' emoluments (continued)

The number of employees during the year, expressed in full time equivalents whose remuneration exceeded £60k

	2013	2012
Remuneration between £60k and £70k	-	1
Remuneration between £70k and £80k	-	1
Remuneration between £80k and £90k	2	-
Remuneration between £110k and £120k	1	1
	3	3

8 Employee information

The average number of employees during the year, expressed in full time equivalents, is shown below:

	2013 No.	2012 No.
Office staff	72	70
Maintenance staff	15	15
Wardens, caretakers and cleaners	17	16
Total	104	101

	2013 £'000	2012 £'000
Staff costs for the above employees		
Wages and salaries	2,704	2,540
Social security costs	235	216
Pension costs	278	279
	3,217	3,035

North Devon Homes Ltd

Notes to the financial statements for the year ended 31 March 2013 (continued)

9 Taxation

	2013 £'000	2012 £'000
United Kingdom Corporation Tax at 24% (2012: 26%)	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (26%).
The differences are explained below:

	2013 £'000	2012 £'000
Surplus on ordinary activities before tax	1,148	1,436
Surplus on ordinary activities multiplied by standard rate in the UK of 24% (2012: 26%)	276	373
Effects of:		
Expenses not deductible for tax purposes	128	437
Depreciation in excess of capital allowances	4	(34)
Other timing differences	75	2
Chargeable gains	152	-
Utilisation of tax deficits	(614)	(778)
Other amounts	(21)	-
Current tax charge for the year	-	-

Deferred taxation

Potential deferred taxation balance not recognised in the accounts is as follows:

	2013 £'000	2012 £'000
Excess of capital allowances over depreciation	86	66
Losses	(513)	(1,129)
Other short term timing difference	(6)	(6)
Pension liability (see note 23)	(497)	(447)
Deferred taxation asset not recognised	(930)	(1,516)

Present indications are that tax losses will continue for the next few years and it is not considered prudent to recognise the asset until it is certain that losses will reverse.

North Devon Homes Ltd

Notes to the financial statements for the year ended 31 March 2013 (continued)

10 Tangible fixed assets

a) Housing properties

	Housing property under construction £'000	Social housing property held for letting £'000	Market rented accommodation £'000	Shared Ownership properties £'000	Total £'000
Cost					
As at 1 April 2012	3,341	91,410	715	232	95,698
Additions	8,111	1,242	550	-	9,903
Works to existing properties	-	319	-	-	319
Component additions/replacements	-	886	3	-	889
Disposals	-	(754)	(248)	-	(1,002)
Transfers	(2,545)	2,442	(105)	208	-
Transfer to stock	(966)	-	-	-	(966)
At 31 March 2013	7,941	95,545	915	440	104,841
Social Housing Grant					
As at 1 April 2012	1,617	6,541	-	92	8,250
Received in period	710	28	-	-	738
Transfers to completed	(758)	646	-	112	-
At 31 March 2013	1,569	7,215	-	204	8,988
Other Grants					
As at 1 April 2012	-	465	-	-	465
Received in period	-	24	-	-	24
At 31 March 2013	-	489	-	-	489
Depreciation					
As at 1 April 2012	-	15,668	311	5	15,984
Charge for the year	-	2,026	8	1	2,035
Disposals (including accelerated depreciation)	-	(217)	(126)	-	(343)
Transfers	-	96	(96)	-	-
At 31 March 2013	-	17,573	97	6	17,676
Impairment provision					
As at 1 April 2012	-	192	262	-	454
Movement in the year	-	(15)	(139)	-	(154)
At 31 March 2013	-	177	123	-	300
Net book value at 31 March 2013	6,372	70,091	695	230	77,388
Net book value at 31 March 2012	1,724	68,544	142	135	70,545

Notes to the financial statements for the year ended 31 March 2013 (continued)

10 Tangible fixed assets (continued)

Included in the balance of housing properties completed and available for letting is £505k (2012: £169k) of capitalised interest.

	2013 £'000	2012 £'000
Major works expenditure		
Amounts capitalised (component replacements and improvements)	1,208	2,676
Amounts charged to income and expenditure account (note 2)	1,218	1,526
	2,426	4,202

The number of properties owned and managed was as follows:

	2013	2012
North Devon Homes' freehold properties		
General Needs:		
Social rent	2,451	2,512
Affordable rent	44	-
Older persons / supported housing		
Social rent	593	592
	3,088	3,104
Shared Ownership	8	4
Leasehold Properties	91	90
Units managed on behalf of others	9	8
Garages	798	798
Market Rented	8	8
Number of properties with a fixed charge	3,647	3,660

Notes to the financial statements for the year ended 31 March 2013 (continued)

10 Tangible fixed assets (continued)

(b) Other assets

	Long leasehold land and buildings			Computers, equipment and plant	Motor Vehicles	Total
	Office and maintenance £'000	Investment Properties £'000	Other Land and Buildings £'000	£'000	£'000	£'000
Cost or valuation						
As at 1 April 2012	1,792	1,405	157	521	247	4,122
Revaluation	-	(20)	-	-	-	(20)
Additions	36	-	17	70	27	150
Disposals	-	-	-	(13)	(42)	(55)
At 31 March 2013	1,828	1,385	174	578	232	4,197
Grants						
As at 1 April 2012	-	-	75	-	-	75
At 31 March 2013	-	-	75	-	-	75
Depreciation						
As at 1 April 2012	230	-	30	428	45	733
Charge for the year	35	-	5	42	76	158
Disposals	-	-	-	(10)	(41)	(52)
At 31 March 2013	265	-	35	460	80	840
Net book value at 31 March 2013	1,563	1,385	64	118	152	3,282
Net book value at 31 March 2012	1,562	1,405	52	93	202	3,314

The long leasehold land and buildings relates to a 999 year lease with an option to purchase the freehold after five years. The property at Westacott Road, Barnstaple was valued on 31 March 2013 by Mr M A Pellow MRICS. The historical cost of this property is £1,546k.

The other land and buildings relates to a freehold Community Centre.

North Devon Homes Ltd

Notes to the financial statements for the year ended 31 March 2013 (continued)

10 Tangible fixed assets (continued)

(c) Investments

	2013 £'000	2012 £'000
Investment in Advantage South West LLP	5	5
Investment in Plough & Share credit union	10	-
	15	5

The Company's investment in Advantage South West LLP represents a 25% shareholding and capital contribution in the LLP. The main objective of this entity is to provide sustainable timber frame homes to property developers using modern and innovative techniques.

The Company's share of Advantage South West's net assets at 31 March 2013 was £114k (2012: £94k) and share of profits for the year was £20k (2012: £19k).

11 Debtors

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Rental arrears	93	92
Less provisions for bad debts	(57)	(58)
	36	34
Prepayments and accrued income	391	344
Other debtors	505	423
Social Housing Grant receivable	481	-
Other grant receivable	-	43
	1,413	844

Included within the other debtors figure is an amount of £332,400 which is deposited with Devon County Council in relation to indemnity cover for the DCC pension scheme (see note 23).

12 Stock

	2013 £'000	2012 £'000
Properties under construction	700	206
Properties held for sale	472	-
	1,172	206

Included in properties held for sale is £20k (2012: nil) of capitalised interest.

**Notes to the financial statements for the year ended 31 March 2013
(continued)****13 Creditors: amounts falling due within one year**

	2013 £'000	2012 £'000
Rent and other payments in advance	217	205
Trade creditors	636	76
Amounts due under Right to Buy sharing agreement	546	135
Other taxation and social security	100	202
Interest accruals	408	415
Disposal proceeds fund	103	-
Accruals and deferred income	1,751	1,557
	3,761	2,590

14 Disposals Proceeds Fund

	2013 £'000	2012 £'000
At 1 April	-	348
Recycled during the year	-	(348)
Transfers from Right to Acquire sales	103	-
At 31 March	103	-

15 Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Housing loans expiring in 5 years or more	71,700	65,700

Notes to the financial statements for the year ended 31 March 2013 (continued)

15 Creditors: amounts falling due after more than one year (continued)

Borrowing facilities

The Company has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2013 £'000	2012 £'000
Expiring in five years or more	13,300	19,300

Funding facilities totalling £85m with Lloyds TSB Bank were put in place on 1 July 2008 and restated in March 2012. This funding includes provision for working capital, development, and major repairs funding. This funding is secured on the Company's freehold housing property.

Financial liabilities

The interest rate profile of the Company's financial liabilities as at 31 March was:

	2013 £'000	2012 £'000
Floating rate	20,400	14,400
Fixed rate	51,300	51,300
	71,700	65,700

The weighted average period for which interest rates were fixed was eighteen years. The weighted average total interest rate for the year was 3.88% (2012: 4.25%). The floating rate financial liability is a sterling denominated bank loan that bears an interest rate based on LIBOR. The loans are repayable in 2038.

16 Membership of the Company

The Company is limited by guarantee and therefore has no share capital. Subscribing members of the Company are required to contribute £1 in the event of a winding up. Members are entitled to vote at General Meetings of the Company in accordance with the proportional voting rights granted to Members. North Devon Council has three nominated Board Members with 33.3% of the voting rights. The five independent Board members have aggregate voting rights of 33.3%, as do the four tenant members.

North Devon Homes Ltd

Notes to the financial statements for the year ended 31 March 2013 (continued)

17 Reserves

Revenue reserve	£'000
At 1 April 2012	6,331
Transferred from income and expenditure account	1,148
Actuarial loss on pension scheme	(254)
At 31 March 2013	7,225

Investment Revaluation reserve	£'000
At 1 April 2012	(141)
Movement in the year	(20)
At 31 March 2013	(161)

Restricted reserve	£'000
At 1 April 2012	-
Movement in the year	12
At 31 March 2013	12

Restricted reserves

The restricted reserve represents unspent Big Lottery grant received as at 31 March 2013.

North Devon Homes Ltd

Notes to the financial statements for the year ended 31 March 2013 (continued)

18 Reconciliation of operating surplus to net cash inflow from operating activities

	2013 £'000	2012 £'000
Operating surplus	3,584	4,174
Depreciation	2,193	2,180
Impairment provision movement	(154)	(754)
Write off of abortive costs	-	407
Pension adjustment	(7)	(16)
Increase in debtors	(131)	(229)
Increase/(decrease) in creditors	79	(1,041)
Loss/(gain) on disposal of tangible fixed assets	276	57
Net cash inflow from operating activities	5,840	4,778

19 Reconciliation of net cash flow to movement in net debt

	2013 £'000	2012 £'000
Increase/(decrease) in cash in period	2	(2,595)
Cash inflows from increase in debt	(6,000)	-
Change in net debt	(5,998)	(2,595)
Net debt at 1 April	(64,273)	(61,678)
Net debt at 31 March	(70,271)	(64,273)

20 Analysis of changes in net debt during the year

	At 31 March 2012 £'000	Cashflows £'000	At 31 March 2013 £'000
Cash in hand and at bank	1,427	2	1,429
Debt due after one year	(65,700)	(6,000)	(71,700)
Net debt	(64,273)	(5,998)	(70,271)

North Devon Homes Ltd

Notes to the financial statements for the year ended 31 March 2013 (continued)

21 Other financial commitments

	2013 £'000	2012 £'000
Contracts placed for future expenditure not provided in the financial statements	18,725	5,064
Future expenditure approved but not contracted at the year end	8,110	21,582

The Board expects the expenditure it has authorised to be fully financed from loan facilities, grant from the HCA of £3.3m and property sale receipts of £6.7m.

22 Operating leases

The company has financial commitments in respect of non-cancellable operating leases on office equipment. The rentals payable under these leases in the next year are as follows:

	2013 £'000	2012 £'000
Lease expiring:		
- Between 1-5 years	10	13

Notes to the financial statements for the year ended 31 March 2013 (continued)

23 Pensions

(a) Devon County Council Pension Scheme

The Devon County Council Pension Fund ('DCCPF') is a scheme administered in accordance with the Local Government Pension regulations. The scheme is a funded defined benefit scheme providing benefits on final pensionable pay. The Company's actuarial liability is subject to periodic valuation by independent actuaries using a market led actuarial method.

In accordance with FRS17 Retirement benefits, the Company is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes operated for its employees.

The most recent triennial actuarial valuation was carried out on 31 March 2010. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The company contributes to the DCCPF at a contribution rate set having regard to the liabilities of North Devon Homes Ltd. Estimated employer contributions for 2013/14 are £60k.

The main assumptions for the purposes of FRS17 used by the actuary were:

	2013 %	2012 %
Rate of increase in salaries	4.7	4.7
Rate of increase to pensions in payment	2.5	2.5
Rate of increase to deferred pensions	2.5	2.5
Discount rate	4.1	4.6
RPI Increases	3.3	3.3
CPI Increases	2.5	2.5

Mortality Assumptions

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

	2013	2012
Males retiring today	20.6	20.5
Males retiring in 20 years	22.6	22.5
Females retiring today	24.6	24.5
Females retiring in 20 years	26.5	26.4

Notes to the financial statements for the year ended 31 March 2013 (continued)

23 Pensions (continued)

Expected return on assets	Long-term rate of return expected at 31 March 2013 % pa	Asset split at 31 March 2013 %	Long-term rate of return expected at 31 March 2012 % pa	Asset split at 31 March 2012 %	Long-term rate of return expected at 31 March 2011 % pa	Asset split at 31 March 2011 %
Equities	6.0	61	6.3	69	7.4	70
Property	4.0	8	4.3	6	5.4	5
Gilts	3.0	13	3.3	18	4.4	17
Other Bonds	4.1	-	4.6	-	5.5	-
Cash	0.5	3	3.0	6	3.0	7
Target return portfolio	4.5	15	4.7	1	5.0	1
Total	5.1	100	5.4	100	6.5	100

A building block approach is used 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 as at 31 March 2013.

The following amounts have been recognised in the performance statements in the year ended 31 March 2013 under the requirements of FRS17:

	2013 £'000	2012 £'000
Analysis of the amount charged to operating surplus		
Current service cost	54	45
Total operating charge	54	45
Analysis of the amount credited to other finance income:		
Expected return on pension scheme assets	209	250
Interest on pension scheme liabilities	(263)	(275)
Net finance income	(54)	(25)

**Notes to the financial statements for the year ended 31 March 2013
(continued)****23 Pensions (continued)**

Changes to the present value of liabilities during the accounting period	2013 £'000	2012 £'000
Opening present value of liabilities	5,766	5,091
Current service cost	54	45
Interest cost	263	275
Contributions by participants	15	15
Actuarial losses on liabilities	529	595
Net benefits paid out	(186)	(255)
Closing present value of liabilities	6,441	5,766

Changes to the present value of assets during the accounting period	2013 £'000	2012 £'000
Opening present value of assets	3,905	3,961
Expected return on assets	209	250
Actuarial gains / (losses) on assets	275	(127)
Contributions by the employer	61	61
Contributions by participants	15	16
Net benefits paid out*	(186)	(256)
Closing present value of assets	4,279	3,905

* consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums for the year ended 31 March 2013.

Notes to the financial statements for the year ended 31 March 2013 (continued)

23 Pensions (continued)

Statement of total recognised surpluses and deficits (STRSD)	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	275	(127)
Experience losses arising on scheme liabilities	(1)	(1)
Changes in assumptions underlying the present value of the scheme liabilities	(528)	(594)
Actuarial loss recognised in the STRSD	(254)	(722)

No other material changes in the Company's pension arrangements that would affect future costs are anticipated.

History of asset values, present value of liabilities and deficit	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of assets	4.28	3.91	3.96	3.94	3.03
Present value of liabilities	(6.44)	(5.77)	(5.09)	(7.28)	(5.06)
Scheme deficit at the end of the year	(2.16)	(1.86)	(1.13)	(3.34)	(2.03)

In accordance with paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous periods are measured at current bid price.

History of experience gains and losses	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Experience gains/(losses) on assets	0.27	(0.13)	(0.11)	0.81	(1.02)
Experience gains/(losses) on liabilities*	0.00	0.00	1.13	(0.03)	(0.01)

* This item consists of gains/(losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

The Company also has a potential unprovided liability for additional pension costs. The scheme actuaries have assessed the amount required as indemnity cover at 31 March 2013 as £332,400. The monies are held by the DCC Pension Fund and are included within other debtors. The amounts calculated represent the cost of providing immediate unreduced pension and lump sum benefits for each member over the age of 50 at the relevant date, in excess of reserves held for each member.

Notes to the financial statements for the year ended 31 March 2013 (continued)

23 Pensions (continued)

(b) Social Housing Pension Scheme

The Company participates in the Social Housing Pension Scheme ("SHPS"). The Scheme is funded and is contracted out of the state scheme.

The Company operates the final salary benefit structure with a 1/60th accrual rate benefit structure for active members as at 31 March 2007 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007 to 30 September 2010. From 1 October 2010 the Company offered the Defined Contribution scheme only to new entrants.

During the accounting period, the Company paid contributions between the rates of 5.5% and 8.7% depending on the benefit structure. Member contributions varied between 3.0% and 9.5%.

As at the balance sheet date there were 48 active members of the scheme employed by the Company. The Company continues to offer membership of the scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

Based on these results the Company's annual deficit contribution for 1 April 2014 will be £118,000. £98k of the past service deficit increases at 4.7% per annum and is payable until 2023. £20k 'Share of Liability' annual contribution increases at 3% per annum and is payable until 2026.

The Scheme Actuary prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

Notes to the financial statements for the year ended 31 March 2013 (continued)

The total employer's contribution for the year was £117,000 (2012: £121,000). An amount of £18,000 in respect of employer contributions was outstanding at 31 March 2013 (2012: £9,000) and this was paid over to SHPS on 15 April 2013.

24 Related party transactions

The Board members who are also Tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefit as other tenants. There are no significant rental arrears relating to Tenant board members at 31 March 2013.

Board members, who are also North Devon Councillors, are required to fulfil the same obligations as the other Board members. Any transactions with the local authority are made at arm's length on normal commercial terms and the Board members cannot use their position to their advantage.

Two executive officers are Board members of Advantage South West ("ASW") in which the Company has a 25% shareholding. The Company paid membership fees to ASW of £15,000 (2012: £14,000). There were no amounts owed to ASW at 31 March 2013 (2012: £nil).

25 Legislative provision

The Company is a company limited by guarantee and is registered with the Homes and Communities Agency under the Housing and Regeneration Act 2008.