



**North Devon Homes Limited**  
**Financial Statements**  
**for the year ended 31 March 2014**

**Registered Number 03674687**

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**Financial Statements**  
**for the year ended 31 March 2014**

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# North Devon Homes Ltd

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## **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 (resigned 27 January 2014)  
Cllr Mr Jeremy Yabsley  
Cllr Sue Haywood  
Mrs Dawn Ash  
Mrs Tracey Richmond (appointed 14 April 2014)

## **Company Secretary**

Mr Martyn Gimber (Chief Executive) resigned 31 March 2014  
Mrs Lucy Duchesne (appointed 1 April 2014)

## **Executive Directors**

Mr Martyn Gimber (Chief Executive)  
Ms Nasreen Hussain (Director of Resources) resigned 9 May 2014  
Mr Marc Rostock (Director of Neighbourhoods)  
Mrs Philippa Butler (Finance Director) from 1 April 2014

## **Statutory Auditors**

Nexia Smith & Williamson  
Chartered Accountants  
Statutory Auditor  
Imperial House  
18-21 Kings Park Road  
Southampton  
SO15 2AT

## **Solicitors**

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

Tozers  
Broadwalk House  
Southernhay West  
Exeter  
Devon EX1 1UA

## **Surveyors and Valuers**

Countrywide  
Caldecotte Lake Drive  
Caldecotte, Milton Keynes  
Bucks MK7 8JT

## **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

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 2014

### Strategic Report

The Board of Management presents its strategic report and audited financial statements for the year ended 31 March 2014.

### 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 and Value for Money Statement on pages 7 to 25.

### Results

The Company's surplus for the year is £687,000 (2013: £1,148,000). 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 2014 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
	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 2014 (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 25.

#### **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 2014 (continued)**

#### **External auditors**

Nexia Smith & Williamson 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**

A handwritten signature in black ink, appearing to be 'N. Lewis', written over a horizontal line.

**Nick Lewis, Chair of the Board**  
**15 September 2014**

## Operating and Financial Review (incorporating the strategic report)

### 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 2014, the Company owned 3,070 (2013: 3,088) 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:

	2014	2013
<b>North Devon Homes' Affordable Housing Stock:</b>		
<b>General Needs</b>		
Social rent *	2,372	2,451
Affordable rent	105	44
<b>Older persons / Supported Housing</b>		
Social rent	593	593
<b>Total</b>	<b>3,070</b>	<b>3,088</b>
Shared Ownership	21	8
Market Rented	5	8
Leasehold Properties	93	91
Units managed on behalf of others	22	9
Garages	776	798
Commercial Properties	21	21

\* 78 social rented properties which were demolished in the year as part of our PRC development programme.

### Governance and Management

During 2013/14 the Board met 10 times to provide effective governance to the business. During 2013/14 the Board was supported by its Audit and Risk (previously named Audit & 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 2013/14 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 has 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 2012-2015, 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.

The full Corporate Plan document which can be obtained from our registered office and is on our website, sets out detailed outcomes and targets for each objective. Highlights of progress against the Plan are also included in the Value for Money Section of this Operating and Financial Review.

### Performance in the Period

Underpinning the Corporate Objectives, the following specific priorities were delivered in 2013/14:

1. **Continued with the regeneration of pre reinforced concrete (PRC) properties schemes.**

75 new homes were completed in the year, 73 of which were on PRC regeneration schemes. A joint venture agreement was entered into with Pearce Barnstaple for a market sale site at Pill Gardens, Braunton, to develop 32 units for market sale and completion of this site is expected to be in 2015/16. 115 rented units are also due for completion in 2015/16.

## Operating and Financial Review (continued)

2. **Home 2 Home service was developed to continue to provide a responsive repairs in-house solution.**

Approximately 12,300 responsive repairs were carried out during the year with customer satisfaction levels of 96.3%. A VAT saving of £84k was made by through the use of this in-house contractor.

3. **Welfare Reform Strategy implemented, placing the Company in an excellent position to mitigate risk.**

Rent arrears figures continued to show excellent performance throughout the year. We have worked with our customers during the introduction of the spare room subsidy and the arrears attributable to the spare room subsidy alone stood at £4k at the end of the year. We have achieved these results by providing our customers affected by these benefit changes with a lot of advice and support. This work began prior to the changes coming into effect and has continued over the last financial year and will continue into 2014/15.

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

The Scrutiny Panel has continued to go from strength to strength this year. The Panel brings together customer impact assessments into a consistent format to enable the true value of customer involvement across all groups to be evaluated and communicated more effectively.

### 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.

### Key Performance Indicators (KPIs)

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

During 2013/14 the performance management framework was further strengthened through the extended use of the specialist performance management system. 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 2014 is summarised on the following page:



## Operating and Financial Review (continued)

### Performance at year end 2013/14

Here is how we are performing in some of our key areas compared to the same period 2012/13

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.

	2012/2013	2013/2014	TARGET	POSITION
☺ performance improved ☐ performance unchanged ☹ performance decreased	on target near target not on target			
<b>CUSTOMER SATISFACTION</b>				
Satisfaction with overall service provided by NDH	91%*	94%*	90%	☺
Complaints received	32	63	No Target	N/A
Complaints upheld	22	25	No Target	N/A
Compliments received	171	113	No Target	N/A
<b>REPAIRS</b>				
Customer satisfaction with the repairs service - overall	97%	96%	96%	☺
Emergency repairs completed within 24 hours	98.4%	96.0%	99.0%	☹
Urgent repairs completed within 7 calendar days	97.6%	96.4%	98.1%	☹
Routine repairs completed within 28 calendar days	97.4%	94.3%	98.0%	☹
<b>CUSTOMER CARE TEAM</b>				
No. of customer satisfaction survey responses by telephone	893	942	720	☺
<b>PLANNED MAINTENANCE</b>				
Customer satisfaction with planned improvements - overall	95%	94%	96%	☺
<b>GAS SAFETY</b>				
Properties with a gas safety certificate	99.95%	99.95%	100%	☺
<b>ANTISOCIAL BEHAVIOUR</b>				
Number of new antisocial behaviour cases	123	154	No Target	N/A
Number of closed antisocial behaviour cases	126	150	No Target	N/A
CLOSED minus NEW antisocial behaviour cases	3	-4	0+	☺
<b>SALES</b>				
Right to Buy / Right to Acquire Sales	13	16	No Target	N/A
<b>RE-LET PROPERTIES</b>				
Number of properties re-let	225	235	No Target	N/A
Average time to re-let properties (in days)	35.0	28.3	27.7	☺
Rent loss due to empty properties (as a % of rental due)	0.60%	0.66%	0.60%	☹
Number of mutual exchanges completed	62	78	No Target	N/A
<b>RENT COLLECTION</b>				
Outstanding rent (current customers)	0.28%	0.20%	1.20%	☺
Outstanding rent (former customers)	0.39%	0.33%	0.51%	☺
<b>CORPORATE HEALTH</b>				
Average number of w/days lost due to sickness absence per employee	7.42%	6.41%	6.40%	☺
Staff turnover (rolling average)	9.20%	8.80%	10.00%	☺
<b>FINANCE</b>				
Liquidity Ratio	1.07	0.76	0.95	☺
Asset cover ratio	85.60%	86.70%	100%	☺
Interest cover ratio	182.81%	167.30%	67.04%	☺

\* Figure from 2009 customer survey; current performance figure from 2013 STAR survey



## Operating and Financial Review (continued)

Some further commentary on performance in the year is provided below:

- **Customer Satisfaction:** Overall satisfaction with the service provided by NDH improved to 94% in the year as a result of our ongoing work with our customers and continually working to improve all our service areas.
- **Repairs:** Customer satisfaction with our repairs service remained good throughout the year. Our on-time results were slightly behind target. In the early part of 2014 the severe weather caused a very high volume of repairs and although this had an impact on the on-time results we did maintain delivery above 90% throughout the year. This will remain an area of focus during 2014/15.
- **Rent Collection:** The performance of rent collection for current and former customers has been exceptional in 2013/14. The arrears figure of 0.20% and 0.33% at the end of March 2014 exceeds last year's performance in both areas.
- **Gas Safety:** At the end of the year there was one property without a valid gas certificate, this was due to no access granted by the customer and legal procedures were instigated to resolve the issue.
- **Finance:** The liquidity ratio fell below target at the end of the year due to the timing of some year end creditor payments and draw downs from our loan facility but at all times during the year minimum operating cashflow limits were maintained. We were well within the Lloyds asset cover and interest cover ratio targets at the end of the year.

## 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 Risk Committee on a quarterly basis. The risks are recorded in the Risk Register and are assessed in terms of impact, probability and controllability. The plan includes details of action taken to manage the risks.

The Board considers risk in all its decision making and the Executive Team and the Board have an open dialogue regarding the key and emerging risks to the business. This ensures that the Board understands the risks and receive assurance regarding the systems of internal control.

The Board has established a programme of internal audit work designed to provide additional assurance on the company's areas of greatest risk. The internal auditors provide an independent view on the design and operation of the company's controls which informs the Board's assessment.

Some of the key risks to successful achievement of the company's objectives are summarised below:

Risk	Key controls
<b>Failure to achieve efficiency gains and deliver Value for Money (VfM)</b>	<ul style="list-style-type: none"><li>• Procurement strategy developed and implemented</li><li>• Budgetary control policy and procedures in place</li><li>• Corporate Plan establishes priorities</li><li>• VfM link through strategy, departmental service excellence plans, performance and Board decision making.</li><li>• Use of benchmarking tools to monitor performance</li></ul>

## Operating and Financial Review (continued)

Risk	Key controls
Supporting People funding changes & service redesign have an adverse impact on business plan	<ul style="list-style-type: none"> <li>• SP strategy developed</li> <li>• Budgets and business plan reviewed</li> <li>• Analysis undertaken of customer base and model developed for self payers</li> </ul>
Higher arrears as a result of the introduction of Universal Credit	<ul style="list-style-type: none"> <li>• Close arrears monitoring</li> <li>• Income management service tailored to support customers</li> <li>• Close monitoring of changes to the welfare system and communication with customers</li> <li>• Identification of customer at risk from welfare changes</li> </ul>
Risk that social housing reform leads to higher rates of Right to Buy/Acquire sales diminishing letting stock and balance sheet	<ul style="list-style-type: none"> <li>• Closer monitoring of applications and sales through performance management system</li> <li>• Liaison with the local authority around the recycling of receipts from Right to Buy</li> </ul>
Failure to effectively monitor , anticipate and respond to changes in the economic environment	<ul style="list-style-type: none"> <li>• Interest rate exposures carefully monitored and Treasury strategy regularly reviewed.</li> <li>• Prudent business plan assumptions made around inflation and interest rates and sensitivity analysis carried out.</li> <li>• Regular review by senior management of external sources of information and attendance at events.</li> </ul>
Failure to develop and implement an informed Asset Management Strategy	<ul style="list-style-type: none"> <li>• Asset Management Strategy developed with Board and senior management involvement (to be reviewed again in 2014/15)</li> <li>• Surveyor team restructured to deliver all services in a neighbourhood rather than as a specialism; the patch based model</li> <li>• Asset Data and Systems Manager in place to coordinate and review integrity of asset management data and processes.</li> <li>• Asset Management update report presented to each Board meeting</li> </ul>

## Value for Money Statement

### 1. Value for Money culture

As a community landlord Value for Money (VfM) is a key driver of our culture and is integral in everything that we do, from setting strategies at Board level through to delivering good value services to our customers across the community.

A key strategic objective in our Corporate Plan for 2012-15 is defined **Objective 4: My Landlord: Improving and offering good Value for Money**. To deliver this objective we engage extensively with our customers to enable us to measure quality and ensure the services meet customer need. We also measure the cost of these services with our peers using industry benchmarking data from Housemark.



## Operating and Financial Review (continued)

We aim to be a trusted landlord who delivers excellent services to its customers through well motivated and professional staff. We want to ensure that our services demonstrate both continuous improvement and offer good VfM. This can only be delivered through a positive culture which reflects a good and thorough understanding of VfM.

This annual review looks at how we performed during the year, explains our key VfM measures and sets out our future plans.

### 2. Return on assets

We have a comprehensive approach to asset management, driven by the Board. Our Corporate Plan **Objective 2 is My Home: Maintaining Quality Affordable Homes**. The ongoing investment, maintenance and improvement of our homes has been a key focus for us in the 2012-15 plan.

Our current Asset Management Strategy is subject to regular review and will be reviewed again during 2014-15. Comprehensive asset data is held within our asset management software which enables us to have a full understanding of our housing stock. Our information is regularly refreshed by routine data capture and an ongoing cycle of stock condition surveys.

We have a formal valuation of our stock based on the Existing use Valuation – Social Housing (EUV-SH) every three years. The valuation methodology measures the net income per property over its lifetime and provides a net present value. The last two average valuation results are shown below:

Year	Average EUV-SH
2014	£36,363
2011	£32,423

The increase in EUV-SH average values indicates that we continue to maintain a strong asset base. As at 31 March 2014 we have £13.5m of uncharged property assets available to use as security against future funding requirements. During 2014/15 we will be reviewing our Financial Strategy to ensure we maximise the use of our assets in relation to security.

### Development and regeneration returns

The original transfer of properties to North Devon Homes from the Local Authority in 2000 included 350 PRC (pre reinforced concrete) homes that required significant additional investment to turn them into Decent Homes. The Board has followed its PRC Investment Strategy agreed in 2009 that has seen a sustained £40m programme of repair, redevelopment or large scale regeneration of these homes and surrounding estates over a 5 year period. This investment has been funded through the business plan, supplemented with HCA grant where additional units have been able to be provided and also through income from market sales.

During the year 2013/14 we have been working on the remaining phases of the PRC investment strategy with the final 78 PRC properties demolished and 75 rented and 16 shared ownership units completed during the year, with a further 131 rented and 15 shared ownership units scheduled for completion on these sites in 2014/15.

### Operating and Financial Review (continued)

All new homes are built to at least code level 3 of the Code for Sustainable Homes which is above the minimum standard and customers who have moved from living in PRC properties have benefitted from a significant reduction in the costs of running their homes thus reducing fuel poverty for those households. Where possible, new build properties have also had photovoltaic panels and rain water harvesting systems installed.

The completion of the PRC investment strategy provides a good basis for future investment and private finance to be secured on the uncharged stock. This will provide a steady but modest stream of development funding to provide badly needed affordable homes in the community. The annual income generated from the development of new units as part of this strategy is £547k per annum

#### Understanding our assets

As a community landlord and the holder of many different residential and commercial property interests, the Company is reviewing all of its assets to ensure that they are maximised effectively into the longer term.

We recognise that we need to be more proactive in analysing our return on individual assets. A planned development during the year 2014/2015 is to review the value of all housing assets using the Keystone Asset Management system that was implemented in 2010. The Keystone sustainability modelling tool (for stock appraisal) will be implemented by December 2014 to enable us to assess assets against income and expenditure as well as for example, market value, SAP rating and ASB information. This will help support and improve our strategic decision making process on current and future investment decisions using much more detailed data based on each asset we own.

Following assessment each asset is rated against certain criteria to give it a red, amber or green status. Any assets with a red status will be reviewed and a decision made as to whether it is retained, disposed, invested, converted. A register of assets and liabilities will be finalised by March 2015. This will enable us to gain a much more comprehensive understanding of the financial and social return of the homes we own, their future reinvestment needs and their forecast return.

In the interim, before the stock appraisal tool is fully developed we are carrying out a full analysis where a property is evaluated as unsuitable, expensive to maintain or requires major repair. Properties are reviewed in detail against a variety of factors, including a net present value calculation, before a final decision is taken by the Executive Team. The purpose of this is to ensure that we are aligning our expenditure with our corporate objectives and make a clear and transparent VfM assessment.

Key issues have already been identified, for example garage sites, which are uneconomic to continue with and that have development potential which would make a positive contribution to the business plan.

During the year a project was undertaken to review all of the garages. Each site was evaluated and given the following status:

- Red – disinvest/sell
- Amber – look at options



## Operating and Financial Review (continued)

- Green – retain and invest

Some sites were identified for outright sale (that would realise a gain of £7.5k) and some sites were identified for redevelopment and are part of the most recent successful HCA 2015-18 funding bid (demolition of 5 garage sites to be replaced with 20 housing units).

As part of the review of Supported Housing services taking place in 2014/15, traditional older persons sites are also being reviewed with community and stakeholder input to assess against fitness for purpose and alignment to the future Supported People strategy.

The review of the asset management strategy will be completed by March 2015 to ensure that stock appraisal and sustainability link to VfM and continue to both improve and to be a focus in future years.

### 3. Social return

We have an established record of supporting the communities we work with through a range of activities. We know that good housing drives good communities and it gives people the opportunity to live healthier and more fulfilling lives. Our vision as a business is “working together to create communities where people want to live”. In order we can achieve this we have to be a successful sustainable business and our culture and values aim to ensure that all our staff, board and stakeholders engage positively in this goal.

During the year we established the Starfish Community Charity, a registered charity run by staff for the benefit of local charities and community groups to help ensure that our impact as a business reaches the communities that we work in.

Staff are also supported to engage with community schools through a volunteer reading programme and/or as active members of the school governing body and community groups such as the Forches Community Association or the DCLG localism pilot project, One Ilfracombe. With the latter, NDH have signed up as a partner organisation, have full representation on the Board and lead or support a number of project groups. Housing Officers are engaged with the ‘town team’, our older people’s services are linked into the ‘health and well being team’ and our Community Development Manager and Youth Workers are supporting the Ilfracombe works project team.

A significant milestone during the year has been the completion of the redevelopment of 67 new homes in Phase 1 of the Forches estate in Barnstaple. This was an area that was previously identified as one of our most deprived estates across a number of indicators and there was a history of anti-social behaviour (ASB), low skills and high unemployment, but it retained a strong community identity. A range of stakeholders including the police, education authority, children’s centre, social services and the local authority have worked positively with us on the regeneration of this area. As a result there have been significant improvements and levels of ASB have reduced considerably. This demonstrated delivery of our Corporate Plan objective 3: My Neighbourhood: Improving, Supporting and Developing our Neighbourhoods.

In support of our vision ‘*Creating communities where people want to live*’, our regeneration plans have also been supported through our Youth Intervention Project. This work has been funded by the Big Lottery Reaching Communities 2009-2012 funding, with succession funding granted for 2012-2015. Over 300 young people, across three localities, currently engage within the project, with each

### Operating and Financial Review (continued)

cohort of school leavers being supported through the transition into work or further education / trainee opportunities.

The project is driven by 4 key outcomes across three key estates:

Outcome one: Young people (aged 9 to 18) more involved from within the community resulting in increased confidence in their abilities and future prospects through participating in activities to develop belief in themselves and their futures. During 2013/14, 343 young people registered with the project with 3 active youth clubs.

Outcome two: Young people benefiting from youth training courses and learning opportunities to increase employability skills through undertaking activities to increase school attendance and raise educational aspirations. 18 school leavers within the project have secured paid employment and/or

college placements that without this project, would have become NEETs (Not in Employment, Education or Training) or worse.

Outcome three: Young people undertaking projects tackling healthier lifestyles to improve their health and wellbeing through engaging in health awareness and general wellbeing. During 2013/14, 150 opportunities were created for young people to undertake healthier lifestyles.

Outcome four: Lower levels of anti social behaviour amongst young people living in these communities with a target of 58% reduction in reported anti-social behaviour. ASB levels involving young people remains dramatically reduced and in the summer holidays of 2013, recorded at 0% for the first time ever on the Forches estate.

The project has been endorsed by the Police and Crime Commissioner who said:

*"I was much impressed with all I saw in NDH's work with such a deprived area. Well done in turning things around so well."*

For a relatively small investment we have changed lives and delivered long- term savings to the local economy and public purse. It is widely accepted that the average cost to the public finances for each 16-18 year old rescued from becoming NEET is £56,000<sup>1</sup> with a further £104,000 in resource costs over the course of their lifetime.

The project is continually measured to capture outcomes, best practice, areas of improvement and social impact using the New Economics Foundation Measuring Impact Toolkit.

#### For the Future:

- Sustainable funding opportunities and ways to keep the Youth Intervention Project in place post March 2015 are being investigated.

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<sup>1</sup> Source: research undertaken for the Audit Commission; estimating the life-time costs of NEET 2010



## Operating and Financial Review (continued)

- Capturing Social Return on Investment and Social Impact Value for Money is to be extended, for example to include in addition to the NEF Impact Measurement, the newly developed HACT tool: Measuring the Impact of Community Investment.
- Continuation of repair and regeneration activities to reduce fuel poverty for our customers and improve the efficiency of our homes
- Continue our approach to tackling poverty issues by growing the Credit Union and helping them develop affordable finance products designed for our customers

NDH has leveraged in to the community £1.4 million through these activities as at March 2014. Individual household incomes have benefited due to the provision of new homes which are much more economical to run and there has been positive impact on the community and environment.

### 4. Costs of delivering services

At a high level the key financial performance indicators can be expressed as shown below:

Per Unit cost analysis	Change			Change			2012
	2014	from 2013	% Change from 2013	2013	from 2012	% Change from 2012	
<b>No of units</b>	<b>3091</b>	<b>-5</b>	<b>0%</b>	<b>3096</b>	<b>-12</b>	<b>-0.4%</b>	<b>3108</b>
<b>Operating cost</b>	<b>£3,417</b>	<b>£347</b>	<b>11%</b>	<b>£3,070</b>	<b>£414</b>	<b>16%</b>	<b>£2,657</b>
Debt	£23,843	£685	3%	£23,159	£2,020	10%	£21,139
Interest costs	£802	-£11	-1%	£814	-£74	-8%	£888
Managment cost	£499	£38	8%	£461	-£41	-8%	£502
Routine maintenance	£863	£9	1%	£854	£120	16%	£734
Cydical repairs	£448	-£19	-4%	£467	£201	75%	£266
Void losses	£28	£5	21%	£24	£1	3%	£23

During this period of development activity and property demolitions, costs per unit have risen as the number of housing stock units has decreased. As more properties are developed and added to the portfolio, per unit costs are expected to decrease.

The social housing operating cost per unit in 2013 was £3,070, which when compared to the average in the HCA's latest published Global Accounts 2013 of £3,371, demonstrates that our cost base is competitive compared to others.

The operating cost per unit is a key tool for controlling costs and during 2014/15 we will be embedding this as a 'critical number' further on a departmental basis, to enable managers to understand their costs and cost drivers and ensure they bring VfM principles into their day to day operations. We will also be using the Great Game project management techniques to enable greater empowerment and decision making amongst staff to effect quicker change based around this critical number.

### Operating and Financial Review (continued)

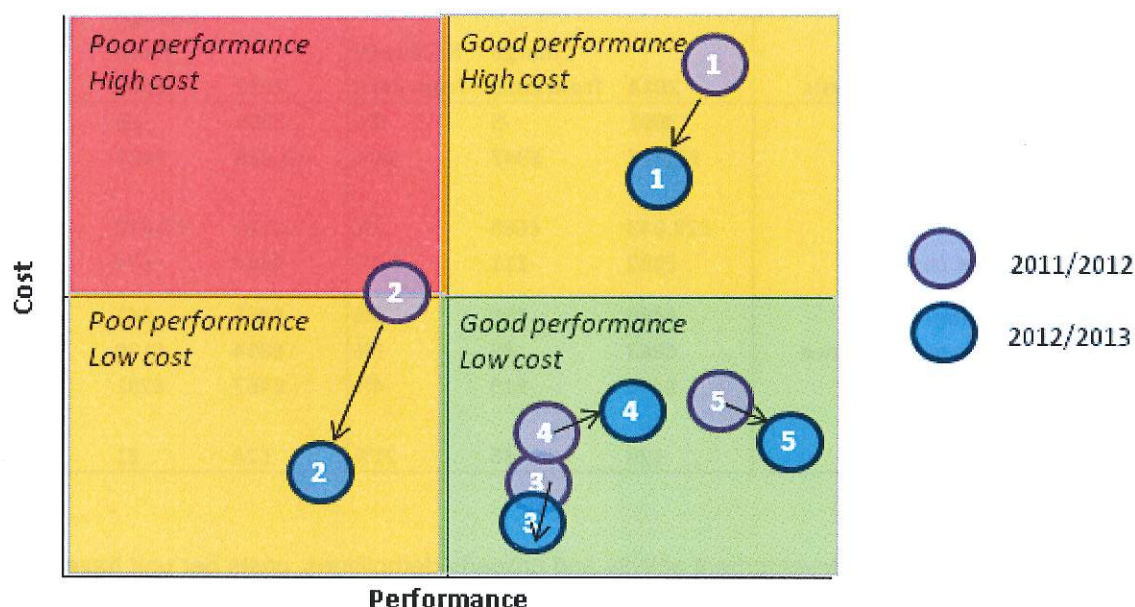
Interest costs per unit continue to decrease as we effectively manage our treasury operations within the current low interest rate environment. The average interest rate across our drawn loans for 2013/2014 was 3.64% (reduced from 3.88% in 2012/2013).

#### Benchmarking

In order to get a much more detailed breakdown of costs and enable peer comparison, the Company is member of HouseMark, the social housing sector benchmarking service. The latest HouseMark benchmarking report was published in November 2013, containing the 2012/13 results.

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

#### Cost vs. Performance



#### 1. Rent arrears and collection

This continues to be an area of very good performance and costs decreased in 2012/2013. It is a strategic decision for us to invest in this area of our business not only to maintain our cashflow position but also to support our customers in paying their rent, particularly in light of welfare reform changes. As a result of this strategy our arrears level at the end of the year was 0.20% for current tenants and 0.33% for former tenants, the best in the country.

#### 2. Major Works and cyclical maintenance

Costs decreased due to less major works in the year. Performance has also decreased mainly due to the percentage of homes not meeting the Decent Homes standard, which is a reflection at the time of our remaining undeveloped PRC properties.

#### 3. Lettings

A similar result to the previous year, showing good performance at low cost.



## Operating and Financial Review (continued)

### 4. Tenancy Management

Cost increased slightly from the previous year but there is a corresponding increase in performance.

### 5. Estate Services

This continues to be an area of very high performance and low cost.

Housemark costs were benchmarked against a peer group comprising of 37 other Southern housing associations. Average property ownership in the peer group was 6,543 with the largest housing association owning 27,854 properties. North Devon Homes was the eighth smallest in the peer group with 3,078 properties.

The Company's position in comparison to the peer group upper, median and lower quartiles is shown in the table below.

	2012/2013				2011/2012		
Cost Per property	Result	Rank	Quartile	Change	Result	Rank	Quartile
Major Works & Cyclical Maintenance	£1,052.48	17	Middle Upper	↑	£1,457.20	29	Lower
Responsive repairs & void works	£879.54	27	Middle lower	↓	£783.13	15	Middle upper
Housing Management	£356.98	2	Upper	↑	£364.54	4	Upper
Rent arrears and collection	£133.36	16	Middle Upper	↑	£145.58	24	Middle lower
Resident involvement	£54.37	11	Middle Upper	↓	£74.42	19	Middle Upper
Anti social behaviour	£44.55	4	Upper	↑	£51.17	9	Upper
Tenancy management	£96.86	8	Upper	↓	£66.37	5	Upper
Lettings management	£27.84	2	Upper	↓	£26.99	1	Upper
Estate services	£134.16	7	Upper	↑	£143.58	9	Upper
<b>Quality measures</b>							
Overhead costs as % of adjusted turnover	13.23%	23	Middle lower	↑	13.26%	26	Middle lower
% satisfaction very/fairly satisfied - repairs and maintenance	90.38%	3	Upper	↑	85.99%	10	Middle Upper
% of tenants who are satisfied that views are listened to and acted upon	80.66%	3	Upper	↑	77.79%	4	Upper
% of anti-social behaviour cases resolved successfully	98.41%	6	Upper	↑	95.24%	8	Upper
% of tenants very or fairly satisfied with the overall service provided	93.90%	3	Upper	↑	91.10%	6	Upper
Average time in days to re-let empty properties	23.48	18	Middle lower	↓	22.94	16	Middle upper
% of residents satisfied with their neighbourhood as a place to live	95.85%	1	Upper	↑	90.80%	3	Upper

The Housemark data shows the Company's performance on the whole increased in 2012/2013. Major works and cyclical maintenance costs were lower in 2012/2013 which was a reflection of the smaller programme of major works during the year and responsive repair and void costs per property increased and so a further detailed review of these costs has been undertaken. We have been reviewing the benchmarking information that is available to us and have engaged with M3 to join the repairs and maintenance benchmark club. The results of the analysis show relatively good and cost effective performance over many of the performance indicators, but the costs and efficiency of the responsive maintenance aspect of the service is being investigated more thoroughly through follow up analysis.

Overall customer satisfaction levels remain high as we continue to focus on providing a high quality customer focussed services and build on our 94% overall customer satisfaction results from our 2013 As one of the smallest associations in the peer group it is more difficult to obtain economy of



## Operating and Financial Review (continued)

scale within overhead functions. During 2014/15 we will continue to focus on this as an area of improvement and look at alternative methods of delivery with the aim of moving towards the median.

The Housemark 2012/13 detailed results for overheads are shown below:

Overhead costs as a % of adjusted turnover							
KPI	Sample Size	Upper	Median	Lower	North Devon Homes (2012/2013)		
					Result	Rank	Quartile
IT & Communications as % adjusted turnover	32	1.80	2.56	3.09	2.88	18	
Office Premises as % adjusted turnover	32	1.05	1.39	1.72	1.78	27	
Finance as % adjusted turnover	32	1.52	1.77	2.03	1.89	22	
Central & Other overhead as % adjusted turnover	32	4.23	5.11	5.78	6.68	30	
Total Overhead as % adjusted turnover	32	9.48	10.78	12.59	13.23	29	

In order to embed VfM across the business, the Housemark results have been shared with Line Managers and with all staff at the Staff Breakfast meetings as well as being presented to the Board. In order to more effectively utilise the benchmarking data, the Company also requested a further breakdown from Housemark which drills down into cost code information.

This detailed analysis has also been used as an integral part of the budget setting process for the past two years to ensure that the company remains competitive in terms of cost and performance. A zero based budgeting approach is adopted each year; no specific savings targets are set, but managers are required to demonstrate how they have assessed each of their areas of service and costs in terms of VfM. Our budgeted Housemark adjusted operating cost per unit for the coming year 2014/15 is £3,661 which remains within median quartile compared to the peer group average cost for 2012/13 of £3,665.

The 2013/14 Housemark results will be available in quarter 3, 2014/15 and more detailed analysis will be carried out at this time.

As part of the focus of embedding VfM within the company the Great Game project management approach was introduced in 2013/14 this project management approach is similar to those used in lean performance reviews but develops a more embedded culture and empowerment approach which fits within the organisational development approach and culture. Projects were undertaken which included void process review, garages review and procurement (in specific areas). The following results were achieved:

- Improved customer service through voids process with better void standard
- Void cost savings of c£35k, primarily due to removing the use of decorating vouchers
- Additional rental income of c£22k by reducing void times
- Additional income from garage rents of £2k per annum
- Reduction in garage void rent loss at a projected saving of £10k pa.

### Operating and Financial Review (continued)

- Lower level savings of between £1k to £5k were also achieved through fuel savings, reducing magazine subscriptions, reducing postage costs and renegotiating with suppliers on material costs.

#### 5. Procurement

The Company is a member of Procurement for Housing (PfH) and Advantage South West (ASW) through which it is able to gain advantage of collective purchasing power. ASW has 12 members responsible for housing stock of around 70,000. Whilst delivering savings through a range of frameworks is at the heart of our relationship with ASW, membership has brought benefits in terms of access to a formal network providing valuable advice and guidance, as well as the specific procurement expertise that ASW itself has.

ASW carried out a Procurement Review for us during the year and as a result of this review it was identified that specific procurement expertise could make a return. Through ASW, we set up a joint arrangement with a partner RSL for the appointment of a Procurement Manager. This is a post that is split between both companies on a 50/50 cost sharing arrangement. Not only is there benefit of the sharing of cost, but also benefit arises from sharing of good practice and knowledge across both organisations.

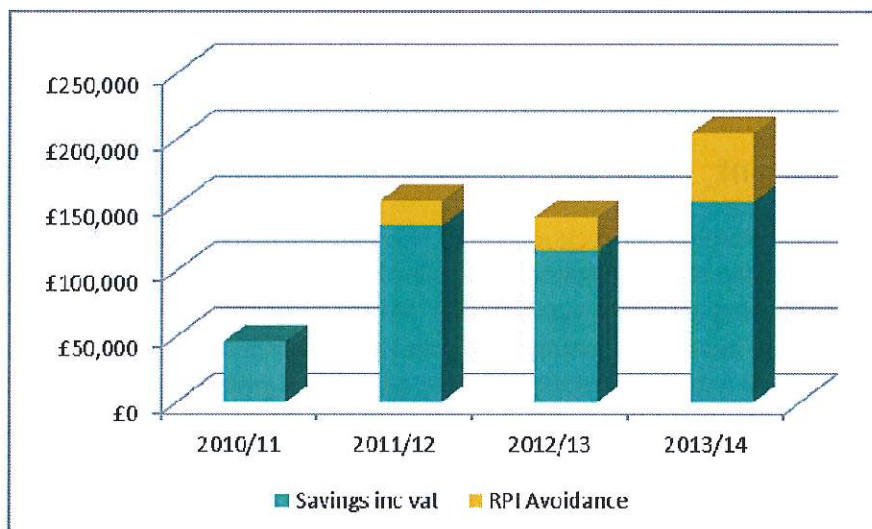
The table below details the cashable savings (including unrecoverable VAT) that have been generated for NDH and additional costs avoided due to framework price changes being lower than RPI during the year 2013/2014:

Item	Expenditure	Total Savings	RPI Avoidance
Aids & Adaptations	£769	£505	£71
Air Source	£1,567	£1,045	£134
Bathrooms	£12,054	£12,064	£1,859
Boilers	£116,054	£36,649	£13,777
Consumer Units	£14,288	£2,521	-£16
Controls	£2,731	£770	£289
Doors	£82,499	£30,359	£20,289
Electric Heating	£9,500	£940	£355
Fans	£2,795	£699	£227
Kitchens	£51,961	£33,572	£11,496
Radiators	£17,239	£21,456	£2,516
Taps	£6,022	£11,303	£1,221
<b>Grand Total</b>	<b>£317,479</b>	<b>£151,883</b>	<b>£52,218</b>

The graph below shows the significant savings that have been achieved over the last 4 years through our membership of ASW.



### Operating and Financial Review (continued)



In addition, our electrical and plumbing contractors purchase materials via the ASW framework agreements. It is estimated that ASW material prices are between 20% and 40% lower than they are able to achieve elsewhere.

We will continue to specifically utilise the ASW framework agreements during the coming year due to the significant cost savings that can be obtained. ASW has a long term objective to develop cost sharing arrangements amongst its partners and as a leading member we will be looking to obtain further value for money through this route.

Our other planned procurement activity for 2014/15 includes:

- Tendering of key Contracts including,
  - Commercial Gas Boiler Servicing
  - Domestic gas servicing
  - External decorations
  - Responsive and cyclical electrical work
- Ensure Social Value considerations embedded in all tenders
  - Specific tender section for Social Value
  - Develop and utilise method of measuring Social Value financially
- Develop and deliver procurement KPIs
  - Use KPIs to drive improvements
  - Develop and deliver KPI delivery method

We also utilise the Procurement for Housing (PfH) consortium which has over 850 members nationally. We currently use Office Depot via the framework agreement to purchase our stationery and get best value. We also retendered our electricity supply contract during the year through PfH. Further review of products and services that can be procured through PfH will be undertaken during 2014.15 with a view to obtaining greater value and cost efficiency.

### Operating and Financial Review (continued)

We will also be making greater use of e-tendering, which will make it less expensive and quicker to distribute and process tenders. It is planned to issue all tenders via this route by the end of 2015.

#### 6. Customer Scrutiny

We want to ensure that our customers can influence our services and help improve our service delivery. This is our Corporate Plan objective 1; placing customers at the heart of what we do.

In order to evaluate VfM in respect of customer involvement and to measure what is being achieved, clear Scrutiny Panel objectives have been set. The 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. During 2013/14 the main areas of focus have been:

- Estate Management and Tidiness
- Customer Care Team
- Customer Involvement

Based on analysis of information collected and reviewed which has been supplemented by interviews and discussions with employees and inspections, a 'Stop, Start, Continue' measurement has been implemented to reflect what is VfM and what is not. In other words what customers feel we should continue doing, what we should start doing and what they feel is of little value and should stop doing.

To demonstrate VfM and improvement actions plans are presented to the Board alongside the Scrutiny reports that demonstrate:

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

More recently an impact assessment has been implemented to track the longer term improvements to services implemented as a result of the Scrutiny recommendations based on the New Economics Foundation Impact Assessment toolkit.

#### 7. Key objectives for 2014/2015

The key VfM objectives for 2014/15 are:

- Following consultation with all staff, the Board and stakeholders, agree Corporate Plan 2015-2018 objectives and ensure VFM drivers and approach is embedded into the new plan.
- To further embed VfM and continuous improvement approach within the organisation, including the use of critical number analysis and Great Game project philosophy and approach.



### Operating and Financial Review (continued)

- Leading Empowered Organisations training for managers to empower managers to make change, embed accountability and to achieve VFM through empowerment and leadership.
- By March 2015, compile and maintain a register of assets and liabilities following completion of the stock appraisal and use this to inform our investment decisions.
- To move towards upper quartile performance across all of our service areas. This will be measured via Housemark benchmarking information and tools.
- To further analyse overhead costs and set targets for reduction where appropriate as part of the annual budget setting process.
- To develop the measurement of social value and incorporate social value into the tendering process
- To obtain greater value through the use of procurement consortia and benchmarking. Identify and report on quantifiable gains.
- Completion of the asset management strategy review by March 2015, ensuring a clear link to the assets and liabilities register and VfM principles.
- Review sustainable funding opportunities and ways to keep the Youth Intervention Project in place post March 2015.

This value for money statement can also be accessed via our website [www.ndh-ltd.co.uk](http://www.ndh-ltd.co.uk)

### Financial Review

Income from lettings increased in the year by 3.8% (2013: 5.9%) from £12.522m in 2013 to £12.994m in 2014. There was an increase in turnover within other social housing activities of £1,344k (2013: £93k) which was largely due to an increase in shared ownership and market sale activity.

The operating surplus for the year was £3.040m (2013: £3.584m), a decrease of £544k from the previous year. This was attributable to increased spending on major repairs maintenance and abortive development costs. During the year £1.854m (2013: £1.218m) of major repairs expenditure was written off to the Income and Expenditure Account and in addition £1.135m of works were capitalised (2013: £1.208m).

The Company's surplus for the year was £0.686m (2013: £1.148m). 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 £2m was drawn down from the loan facility. At 31 March 2014 the debt profile was as follows:



## Operating and Financial Review (continued)

Loan Facility	2014	2013
Fixed Rate Loans	£51,300,000	£51,300,000
Variable Rate Loans	£22,400,000	£20,400,000
<b>Total Loans</b>	<b>£73,700,000</b>	<b>£71,700,000</b>
% unhedged	30%	28%
Average cost of funds	3.64%	3.88%
Total Facility	£85,000,000	£85,000,000

At the year end undrawn committed facilities amounted to £11.3m (2013: £13.3m). The average maturity of net debt, including these facilities was over five years (see note 15).

Treasury operations are managed by the Finance Director 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 34. 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 regeneration projects, development properties and planned maintenance improvements, including the replacement of components of housing properties.

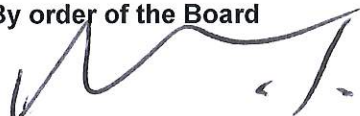
### Market value of land and buildings

The Company's housing stock was valued as at 31 March 2014. Using the existing use value social housing (vacant units re-let) methodology, Countrywide provided a valuation of £112.542m in respect of the whole social rented housing stock and £99.020m in respect of the property charged to Lloyds TSB Bank plc (2011: £98.015m). As at 31 March 2014, the loan debt outstanding on the properties is £73.7m (2013: £71.7m).

### 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).

By order of the Board



**Nick Lewis**  
**Chairman of the Board**  
**15 September 2014**

### 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 (incorporating the strategic report), 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**  
**15 September 2014**



## 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;
- 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 Risk 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 a dedicated risk workshop during the year to review risk and the scoring of risk in detail. Risk is now incorporated into the quarterly Strategy and Performance Group meetings to ensure that it is embedded within the culture and operating environment. This group, comprising senior members of management across all areas of the business, meets to not only review performance but 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 and sensitivity analysis is carried out to model different scenarios. 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.

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 collection and arrears         |
| • Money laundering                            | • Treasury Management Policy          |
| • Disciplinary policy                         | • Whistleblowing                      |

### Report of the Board on Internal Control (continued)

- Data Protection

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 engaged 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 Risk Committee (renamed from Audit & Standards Committee) to oversee risk and internal control.

The Audit and Risk Committee approve 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 Risk 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. The internal and external auditors are guaranteed a right of direct access to the Board of Management and the Audit and Risk Committee of the Company should they identify any material internal control concerns.

By order of the Board



**Nick Lewis**

**Chairman of the Board**

**15 September 2014**



### 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 2014 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 26, 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 Financial Reporting Council's (FRC'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/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 2014 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 Private 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 (incorporating the strategic report) 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.

*Julie Mutton*

Julie Mutton

Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson

Statutory Auditor

Chartered Accountants

Imperial House

18-21 Kings Park Road

Southampton SO15 2AT

Date: 18/9/14



## North Devon Homes Ltd

### Income and expenditure account for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Turnover</b>	2	<b>15,971</b>	14,104
Operating costs	2	<b>(12,931)</b>	(10,520)
<b>Operating surplus</b>	2	<b>3,040</b>	3,584
Surplus on sale of properties	3	<b>114</b>	74
Interest receivable and other income	4	<b>13</b>	9
Interest payable and similar charges	5	<b>(2,480)</b>	(2,519)
<b>Surplus on ordinary activities before taxation</b>	6	<b>687</b>	1,148
Taxation	9	-	-
<b>Surplus for the year</b>	17	<b>687</b>	1,148

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

### Statement of total recognised surpluses and deficits for the year ended 31 March 2014


	Note	2014 £'000	2013 £'000
Surplus for the year		687	1,148
Unrealised deficit on revaluation of investment property		(75)	(20)
Actuarial surplus/(deficit) on pension scheme	23	87	(254)
Total recognised surpluses and deficits since the last annual report		699	874




## Balance sheet as at 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Tangible fixed assets</b>			
Housing Properties	10a	93,120	86,865
Social Housing Grant	10a	(10,932)	(8,988)
Other grants	10a	(489)	(489)
		<b>81,699</b>	77,388
Other tangible fixed assets	10b	3,080	3,282
Investments	10c	15	15
<b>Total fixed assets</b>		<b>84,794</b>	80,685
<b>Current assets</b>			
Debtors	11	1,293	1,413
Stock	12	1,069	1,172
Cash at bank and in hand		1,406	1,429
		<b>3,768</b>	4,014
<b>Creditors: amounts falling due within one year</b>	13	<b>(4,956)</b>	(3,761)
<b>Net current (liabilities) / assets</b>		<b>(1,188)</b>	253
<b>Total assets less current liabilities</b>		<b>83,606</b>	80,938
<b>Represented by:</b>			
<b>Creditors: amounts falling due after more than one year</b>	15	<b>73,700</b>	71,700
<b>Pension liability</b>	23	<b>2,124</b>	2,162
<b>Revenue reserves</b>	17	<b>7,999</b>	7,225
<b>Investment revaluation reserve</b>	17	<b>(236)</b>	(161)
<b>Restricted funds</b>	17	<b>19</b>	12
		<b>83,606</b>	80,938

These financial statements together with the associated notes on pages 35 to 60 were approved and authorised for issue by the Board on 15 September 2014 and were signed on its behalf by:

  
Nick Lewis  
Chairman

  
Lucy Duchesne  
Company Secretary

## North Devon Homes Ltd

### Cash flow statement for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Net cash inflow from operating activities</b>	18	<b>6,919</b>	5,840
<b>Returns on investments and servicing of finance:</b>			
Interest received		13	12
Interest paid		(2,732)	(2,828)
		<b>(2,719)</b>	(2,816)
<b>Capital expenditure:</b>			
Payments to acquire tangible fixed assets		(8,627)	(10,395)
Receipts from sale of tangible fixed assets		1,006	1,103
Social Housing Grant received		1,944	256
Other grant received		-	24
Right to buy clawback		(546)	-
Investment		-	(10)
		<b>(6,223)</b>	(9,022)
<b>Net cash outflow before financing</b>		<b>(2,023)</b>	(5,998)
<b>Financing:</b>			
Loans received		2,000	6,000
<b>Increase /(decrease) in cash in the year</b>	19	<b>(23)</b>	2



## Notes to the financial statements for the year ended 31 March 2014

### 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 2014 (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 2014 (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**

Housing properties that are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, a review is conducted to ascertain whether its effect is to reduce the value of the property beyond that which meets the internal criteria for the approval of schemes. Deficits that fall within these criteria are regarded as planned internal subsidies and are not treated as impairments. If an impairment above the acceptable level exists, a charge is made to the Income and Expenditure account to the extent that the impairment exceeds the acceptable deficit.

#### **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 2014 (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 2014 (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.

Changes in the market value of investment properties are taken to the statement of total recognised surpluses and deficits (being a movement on an investment revaluation reserve), unless a deficit (or its reversal) on an individual investment property is expected to be permanent, in which case it is charged (or credited) in the income and expenditure account.

#### 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.

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 1 Accounting Policies (continued)

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.

#### 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 2014 (continued)

### 2 Turnover, operating costs and operating surplus

#### (a) Total operating activities

	2014			2013		
	Turnover £'000	Expenditure £'000	Surplus £'000	Turnover £'000	Expenditure £'000	Surplus £'000
Social housing lettings	12,994	(10,562)	2,432	12,522	(9,506)	3,016
Other social housing activities:						
Current asset property sales	1,526	(1,330)	196	135	(115)	20
Charges for support services	550	(572)	(22)	597	(549)	48
	15,070	(12,464)	2,606	13,254	(10,170)	3,084
Non social housing activities	805	(371)	434	759	(259)	500
Restricted funds (Big Lottery)	96	(96)	-	91	(91)	-
<b>Total</b>	<b>15,971</b>	<b>(12,931)</b>	<b>3,040</b>	<b>14,104</b>	<b>(10,520)</b>	<b>3,584</b>

#### (b) Income and expenditure from social housing lettings

	General needs	Supported Housing and housing for older people	Total	Total
	2014 £'000	2014 £'000	2014 £'000	2013 £'000
Rent receivable net of identifiable service charges	10,641	1,956	12,597	12,229
Service charge income	182	215	397	293
<b>Turnover from social housing lettings</b>	<b>10,823</b>	<b>2,171</b>	<b>12,994</b>	<b>12,522</b>
<b>Expenditure on lettings:</b>				
Management	(1,245)	(298)	(1,543)	(1,428)
Service charge costs	(212)	(281)	(493)	(535)
Routine maintenance	(2,278)	(389)	(2,667)	(2,643)
Planned maintenance	(1,304)	(80)	(1,384)	(1,446)
Major repairs expenditure	(1,469)	(385)	(1,854)	(1,218)
Bad debts	(13)	(3)	(16)	(19)
Write-off abortive costs	(234)	-	(234)	-
Depreciation of housing properties*	(2,088)	(283)	(2,371)	(2,232)
Impairment of housing properties	-	-	-	15
<b>Operating costs on social housing lettings</b>	<b>(8,843)</b>	<b>(1,719)</b>	<b>(10,562)</b>	<b>(9,506)</b>
<b>Operating surplus on social housing lettings</b>	<b>1,980</b>	<b>452</b>	<b>2,432</b>	<b>3,016</b>
Void losses	(78)	(11)	(89)	(73)

\* includes £311k of accelerated depreciation on written-off general needs components.

## North Devon Homes Ltd

### Notes to the financial statements for the year ended 31 March 2014 (continued)

#### 3 Surplus on sale of properties not developed for outright sale

	2014 £'000	2013 £'000
Proceeds of sales (gross)	1,006	968
Less amount taken to deferred income	-	(49)
Less amount taken to Disposals Proceeds Fund	-	(103)
Less NDC sharing of RTB proceeds agreement	(530)	(411)
Less costs of sales	(362)	(331)
	114	74

#### 4 Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable	13	9

#### 5 Interest payable and similar charges

	2014 £'000	2013 £'000
Other finance cost – pensions	48	54
Interest on loans wholly repayable in more than five years	2,713	2,821
Interest payable capitalised on housing properties under construction	(281)	(356)
	2,480	2,519
Capitalisation rate	4.05%	4.05%



## North Devon Homes Ltd

### Notes to the financial statements for the year ended 31 March 2014 (continued)

#### 6 Surplus on ordinary activities before taxation

	2014 £'000	2013 £'000
This is stated after charging:		
Depreciation on tangible fixed assets	2,234	2,193
Impairment provision	-	(154)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	20	17
Fees payable to the Company's auditor for other services:		
- tax compliance services	5	6
Rent of office accommodation	9	9
Other operating lease rentals	28	14

#### 7 Directors' emoluments

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

None of the Board Members receive emoluments (2013: £nil). The remuneration paid to the three Executive Officers of the company during the year was as follows:

	2014 £	2013 £
Emoluments (including benefits in kind)	292,135	292,002
Pension contributions – in respect of services as a director	25,045	21,418
Total emoluments	317,180	313,420

#### Emoluments (excluding pension contributions) paid to the highest paid director (the Chief Executive)

Salary	116,776	113,451
Car Allowance	4,800	4,800
Other taxable allowances	521	546
Total emoluments	122,097	118,797

All three Executive Officers accrued benefits under defined benefit or defined contribution pension schemes (2013: 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.

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 7 Directors' emoluments (continued)

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

	2014	2013
Remuneration between £60k and £70k	-	-
Remuneration between £70k and £80k	-	-
Remuneration between £80k and £90k	2	2
Remuneration between £110k and £120k	1	1
	<b>3</b>	<b>3</b>

### 8 Employee information

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

	2014 No.	2013 No.
Office staff	78	72
Maintenance staff	14	15
Wardens, caretakers and cleaners	18	17
Total	<b>110</b>	<b>104</b>

	2014 £'000	2013 £'000
<b>Staff costs for the above employees</b>		
Wages and salaries	2,844	2,704
Social security costs	244	235
Pension costs	348	278
	<b>3,436</b>	<b>3,217</b>



## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 9 Taxation

	2014 £'000	2013 £'000
United Kingdom Corporation Tax at 20% (2013: 24%)	-	-

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

	2014 £'000	2013 £'000
Surplus on ordinary activities before tax	687	1,148
Surplus on ordinary activities multiplied by standard rate in the UK of 20% (2013: 24%)	137	276
Effects of:		
Expenses not deductible for tax purposes	355	128
Depreciation in excess of capital allowances	1	4
Other timing differences	(7)	75
Chargeable gains	-	152
Utilisation of tax deficits	(383)	(614)
Other amounts	(103)	(21)
Current tax charge for the year	-	-

### Deferred taxation

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

	2014 £'000	2013 £'000
Excess of capital allowances over depreciation	82	86
Losses	-	(513)
Other short term timing difference	(5)	(6)
Pension liability (see note 23)	(425)	(497)
<b>Deferred taxation asset not recognised</b>	<b>(348)</b>	<b>(930)</b>

Present indications are that it is uncertain when tax losses will be eliminated.

## Notes to the financial statements for the year ended 31 March 2014 (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
<b>Cost</b>					
As at 1 April 2013	7,941	95,545	915	440	104,841
Additions	7,623	205	177	-	8,005
Component additions/replacements	-	1,134	1	-	1,135
Disposals	-	(905)	(153)	-	(1,058)
Transfers	(9,614)	8,930	(173)	690	(167)
Transfer to component cost	-	(814)	-	(2)	(816)
<b>At 31 March 2014</b>	<b>5,950</b>	<b>104,095</b>	<b>767</b>	<b>1,128</b>	<b>111,940</b>
<b>Social Housing Grant</b>					
As at 1 April 2013	1,569	7,215	-	204	8,988
Received in period	1,944	-	-	-	1,944
Transfers to completed	(2,565)	2,252	-	313	-
<b>At 31 March 2014</b>	<b>948</b>	<b>9,467</b>	<b>-</b>	<b>517</b>	<b>10,932</b>
<b>Other Grants</b>					
As at 1 April 2013	-	489	-	-	489
Received in period	-	-	-	-	-
<b>At 31 March 2014</b>	<b>-</b>	<b>489</b>	<b>-</b>	<b>-</b>	<b>489</b>
<b>Depreciation</b>					
As at 1 April 2013	-	17,573	97	6	17,676
Charge for the year	-	2,059	3	2	2,064
Disposals (including accelerated depreciation)	-	(323)	(81)	-	(404)
Transfer to component cost*	-	(814)	-	(2)	(816)
<b>At 31 March 2014</b>	<b>-</b>	<b>18,495</b>	<b>19</b>	<b>6</b>	<b>18,520</b>
<b>Impairment provision</b>					
As at 1 April 2013	-	177	123	-	300
Movement in the year	-	-	-	-	-
<b>At 31 March 2014</b>	<b>-</b>	<b>177</b>	<b>123</b>	<b>-</b>	<b>300</b>
<b>Net book value at 31 March 2014</b>	<b>5,002</b>	<b>75,467</b>	<b>625</b>	<b>605</b>	<b>81,699</b>
Net book value at 31 March 2013	6,372	70,091	695	230	77,388

\*This £814k adjustment relates to the elimination of historic capitalised salary and interest depreciation upon re-allocation of the cost of individual components during the year.



## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 10 Tangible fixed assets (continued)

Included in the balance of housing properties completed and available for letting is £786k (2013: £505k) of capitalised interest.

	2014 £'000	2013 £'000
<b>Major works expenditure</b>		
Amounts capitalised (component replacements and improvements)	1,135	1,208
Amounts charged to income and expenditure account (note 2)	1,854	1,218
	<b>2,989</b>	<b>2,426</b>

The number of properties owned and managed was as follows:

	2014	2013
<b>North Devon Homes' freehold properties</b>		
<b>General Needs:</b>		
Social rent	2,372	2,451
Affordable rent	105	44
<b>Older persons / supported housing</b>		
Social rent	593	593
	<b>3,070</b>	<b>3,088</b>
Shared Ownership	21	8
Leasehold Properties	93	91
Units managed on behalf of others	22	9
Garages	776	798
Market Rented	5	8
Number of properties with a fixed charge	2,742	3,647

## North Devon Homes Ltd

### Notes to the financial statements for the year ended 31 March 2014 (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
<b>Cost or valuation</b>						
As at 1 April 2013	1,828	1,385	174	578	232	4,197
Revaluation	-	(75)	-	-	-	(75)
Additions	-	-	-	45	6	51
Disposals	-	-	-	-	(17)	(17)
<b>At 31 March 2014</b>	<b>1,828</b>	<b>1,310</b>	<b>174</b>	<b>623</b>	<b>221</b>	<b>4,156</b>
<b>Grants</b>						
As at 1 April 2013	-	-	75	-	-	75
<b>At 31 March 2014</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>75</b>
<b>Depreciation</b>						
As at 1 April 2013	265	-	35	460	80	840
Charge for the year	38	-	6	49	77	170
Disposals	-	-	-	-	(9)	(9)
<b>At 31 March 2014</b>	<b>303</b>	<b>-</b>	<b>41</b>	<b>509</b>	<b>148</b>	<b>1,001</b>
<b>Net book value at 31 March 2014</b>	<b>1,525</b>	<b>1,310</b>	<b>58</b>	<b>114</b>	<b>73</b>	<b>3,080</b>
Net book value at 31 March 2013	1,563	1,385	64	118	152	3,282

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 2014 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.



## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 10 Tangible fixed assets (continued)

#### (c) Investments

	2014 £'000	2013 £'000
Investment in Advantage South West LLP	5	5
Investment in Plough & Share credit union	10	10
	<b>15</b>	<b>15</b>

The Company's investment in Advantage South West LLP represents a 25% shareholding and capital contribution in the LLP. The Company's share of Advantage South West's net assets at 31 March 2014 was £115k (2013: £114k) and share of profits for the year was £0.3k (2013: £20k).

The Company's investment in Plough & Share credit union for £10k, is for deferred shares.

### 11 Debtors

	2014 £'000	2013 £'000
<b>Amounts falling due within one year:</b>		
Rental arrears	70	93
Less provisions for bad debts	(46)	(57)
	<b>24</b>	<b>36</b>
Prepayments and accrued income	447	391
Other debtors	522	505
Social Housing Grant receivable	300	481
	<b>1,293</b>	<b>1,413</b>

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

	2014 £'000	2013 £'000
Properties under construction	1,069	700
Properties held for sale	-	472
	<b>1,069</b>	<b>1,172</b>

Included in properties held for sale in 2013 is £20k of capitalised interest.

**Notes to the financial statements for the year ended 31 March 2014  
(continued)****13 Creditors: amounts falling due within one year**

	<b>2014 £'000</b>	<b>2013 £'000</b>
Rent and other payments in advance	<b>342</b>	217
Trade creditors	<b>201</b>	636
Amounts due under Right to Buy sharing agreement	<b>530</b>	546
Other taxation and social security	<b>93</b>	100
Interest accruals	<b>389</b>	408
Disposal proceeds fund	<b>103</b>	103
Accruals and deferred income	<b>3,298</b>	1,751
	<b>4,956</b>	3,761

**14 Disposals Proceeds Fund**

	<b>2014 £'000</b>	<b>2013 £'000</b>
At 1 April	<b>103</b>	-
Transfers from Right to Acquire sales	-	103
At 31 March	<b>103</b>	103

**15 Creditors: amounts falling due after more than one year****Housing loans**

	<b>2014 £'000</b>	<b>2013 £'000</b>
Expiring in more than one year but less than two years	<b>783</b>	-
Expiring in two years or more but less than 5 years	<b>8,383</b>	783
Expiring in more than 5 years	<b>64,534</b>	70,917
	<b>73,700</b>	71,700

## Notes to the financial statements for the year ended 31 March 2014 (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:

	2014 £'000	2013 £'000
Expiring in five years or more	11,300	13,300

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:

	2014 £'000	2013 £'000
Floating rate	22,400	20,400
Fixed rate	51,300	51,300
	73,700	71,700

The weighted average period for which interest rates were fixed was eighteen years. The weighted average total interest rate for the year was 3.64% (2013: 3.88%). 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.



## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 17 Reserves

Revenue reserve	£'000
At 1 April 2013	7,225
Transferred from income and expenditure account	687
Actuarial gain on pension scheme	87
<b>At 31 March 2014</b>	<b>7,999</b>

Investment Revaluation reserve	£'000
At 1 April 2013	(161)
Movement in the year	(75)
<b>At 31 March 2014</b>	<b>(236)</b>

Restricted reserve	£'000
At 1 April 2013	12
Movement in the year	7
<b>At 31 March 2014</b>	<b>19</b>

#### Restricted reserves

The restricted reserve represents unspent Big Lottery grant received as at 31 March 2014.

## Notes to the financial statements for the year ended 31 March 2014 (continued)

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

	2014 £'000	2013 £'000
Operating surplus	3,040	3,584
Depreciation	2,235	2,193
Impairment provision movement	-	(154)
Write off of abortive costs	234	-
Pension adjustment	1	(7)
Increase in debtors	(61)	(131)
Increase in creditors	1,229	79
Decrease in stock	103	-
Loss on disposal of tangible fixed assets	138	276
<b>Net cash inflow from operating activities</b>	<b>6,919</b>	<b>5,840</b>

### 19 Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
(Decrease)/increase in cash in period	(23)	2
Cash inflows from increase in debt	(2,000)	(6,000)
Change in net debt	(2,023)	(5,998)
Net debt at 1 April	(70,271)	(64,273)
<b>Net debt at 31 March</b>	<b>(72,294)</b>	<b>(70,271)</b>

### 20 Analysis of changes in net debt during the year

	At 31 March 2013 £'000	Cashflows £'000	At 31 March 2014 £'000
Cash in hand and at bank	1,429	(23)	1,406
Debt due after one year	(71,700)	(2,000)	(73,700)
<b>Net debt</b>	<b>(70,271)</b>	<b>(2,023)</b>	<b>(72,294)</b>

### Notes to the financial statements for the year ended 31 March 2014 (continued)

#### 21 Other financial commitments

	2014 £'000	2013 £'000
Contracts placed for future expenditure not provided in the financial statements	7,595	18,725
Future expenditure approved but not contracted at the year end	2,640	8,110

The Board expects the expenditure it has authorised to be fully financed from loan facilities, grant from the HCA of £4.9m and property sale receipts of £6.4m.

#### 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:

	2014 £'000	2013 £'000
<b>Lease expiring:</b>		
In less than 1 year	3	-
In 1-2 years	25	10
In 2-5 years	-	-
In 5+ years	-	-
	28	10



## Notes to the financial statements for the year ended 31 March 2014 (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 2013. 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:

	2014 %	2013 %
Rate of increase in salaries	4.5	4.7
Rate of increase to pensions in payment	2.7	2.5
Rate of increase to deferred pensions	2.7	2.5
Discount rate	4.4	4.1
RPI Increases	3.5	3.3
CPI Increases	2.7	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:

	2014	2013
Males retiring today	22.7	20.6
Males retiring in 20 years	24.9	22.6
Females retiring today	26.0	24.6
Females retiring in 20 years	28.3	26.5

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 23 Pensions (continued)

Expected return on assets	Long-term		Long-term		Long-term	
	rate of return expected at 31 March 2014 % pa	Asset split at 31 March 2014 %	rate of return expected at 31 March 2013 % pa	Asset split at 31 March 2013 %	rate of return expected at 31 March 2012 % pa	Asset split at 31 March 2012 %
Equities	13.2	60	6.0	61	6.3	69
Property	4.6	9	4.0	8	4.3	6
Gilts	3.6	7	3.0	13	3.3	18
Other Bonds	4.2	5	4.1	-	4.6	-
Infrastructure	4.2	2	n/a	n/a	n/a	n/a
Cash	0.5	2	0.5	3	3.0	6
Target return portfolio	6.4	15	4.5	15	4.7	1
<b>Total</b>	<b>5.9</b>	<b>100</b>	<b>5.1</b>	<b>100</b>	<b>5.4</b>	<b>100</b>

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 2014.

The following amounts have been recognised in the performance statements in the year ended 31 March 2014 under the requirements of FRS17:

	2014 £'000	2013 £'000
<b>Analysis of the amount charged to operating surplus</b>		
Current service cost	66	54
<b>Total operating charge</b>	<b>66</b>	<b>54</b>
<b>Analysis of the amount credited to other finance income:</b>		
Expected return on pension scheme assets	214	209
Interest on pension scheme liabilities	(262)	(263)
<b>Net finance income</b>	<b>(48)</b>	<b>(54)</b>

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 23 Pensions (continued)

Changes to the present value of liabilities during the accounting period	2014 £'000	2013 £'000
Opening present value of liabilities	6,441	5,766
Current service cost	66	54
Interest cost	262	263
Contributions by participants	16	15
Actuarial losses on liabilities	(111)	529
Net benefits paid out	(183)	(186)
Closing present value of liabilities	6,491	6,441

Changes to the present value of assets during the accounting period	2014 £'000	2013 £'000
Opening present value of assets	4,279	3,905
Expected return on assets	214	209
Actuarial gains / (losses) on assets	(24)	275
Contributions by the employer	65	61
Contributions by participants	16	15
Net benefits paid out*	(183)	(186)
Closing present value of assets	4,367	4,279

\* 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 2014.



## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 23 Pensions (continued)

Statement of total recognised surpluses and deficits (STRSD)	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	(19)	275
Experience losses arising on scheme liabilities	8	(1)
Changes in assumptions underlying the present value of the scheme liabilities	98	(528)
<b>Actuarial profit/(loss) recognised in the STRSD</b>	<b>87</b>	<b>(254)</b>

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	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Fair value of assets	4.37	4.28	3.91	3.96	3.94
Present value of liabilities	(6.49)	(6.44)	(5.77)	(5.09)	(7.28)
<b>Scheme deficit at the end of the year</b>	<b>(2.12)</b>	<b>(2.16)</b>	<b>(1.86)</b>	<b>(1.13)</b>	<b>(3.34)</b>

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	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Experience gains/(losses) on assets	(0.19)	0.27	(0.13)	(0.11)	0.81
Experience gains/(losses) on liabilities*	0.01	0.00	0.00	1.13	(0.03)

\* 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 2014 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 2014 (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 1/60<sup>th</sup> accrual rate benefit structure for active members as at 31 March 2007 and the career average revalued earnings with a 1/60<sup>th</sup> 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 10.3% depending on the benefit structure. Member contributions varied between 3.0% and 10.3%.

As at the balance sheet date there were 49 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 £123,000. £102k of the past service deficit increases at 4.7% per annum and is payable until 2023. £21k '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 2013. 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 £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

### **Notes to the financial statements for the year ended 31 March 2014 (continued)**

The total employer's contribution for the year was £134,000 (2013: £117,000). An amount of £19,000 in respect of employer contributions was outstanding at 31 March 2014 (2013: £18,000) and this was paid over to SHPS on 4 April 2014.

#### **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 2014.

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 (2013: £15,000). There were no amounts owed to ASW at 31 March 2014 (2013: £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.