



# **North Devon Homes Limited Financial Statements for the year ended 31 March 2015**



**Registered Number 03674687**



# North Devon Homes Limited

## Financial Statements

### for the year ended 31 March 2015

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**The Board of Management**

Mr Simon Price (Chairman)  
Mr Robert Down (Vice Chairman)  
Mrs Dawn Ash  
Mr Adrian Jeffery  
Cllr Mr Brian Moores (appointed 29 June 2015)  
Ms Mo Read  
Mr Ian Richard Setter  
Mr Robert Stronge  
Cllr Mrs Faye Webber (appointed 29 June 2015)  
Cllr Mr Jeremy Yabsley (appointed 29 June 2015)

**Company Secretary**

Mrs Lucy Duchesne

**Executive Directors**

Mr Martyn Gimber (Chief Executive)  
Mr Marc Rostock (Director of Neighbourhoods)  
Mrs Philippa Butler (Finance Director)

**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**

Bruton Knowles  
Waterloo House  
Fitzalan Court  
Cardiff CF24 0EL

**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 2015

### Strategic Report

The Board of Management presents its strategic report and audited financial statements for the year ended 31 March 2015.

### 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 35.

### Results

The Company's deficit after tax for the year is £616k (2014: £687k surplus). 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 2015, were:

Tenant	Independent	North Devon Council
Mr Ian Richard Setter	Mr Robert Down	Cllr Mr Derrick Spear (resigned 7 May 2015)
Mrs Jane Tomlin (resigned 15 April 2015)	Mr Adrian Jeffery	Cllr Mr Jeremy Yabsley (resigned 7 May 2015 and reappointed 29 June 2015)
Mrs Dawn Ash	Mr Robert Stronge (appointed 1 December 2014)	Cllr Mrs Sue Haywood (resigned 7 May 2015)
Mrs Tracey Richmond (resigned 17 April 2015)	Mr Simon Price (appointed as Chairman 27 October 2014)	Cllr Mrs Faye Webber (appointed 29 June 2015)
	Ms Mo Read	Cllr Mr Brian Moores (appointed 29 June 2015)
	Nick Lewis (previous Chairman resigned 27 October 2014)	



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## Board of Management report for the year ended 31 March 2015

### 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)  
Mr Marc Rostock (Director of Neighbourhoods)  
Mrs Philippa Butler (Finance Director)



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**Board of Management report for the year ended 31 March 2015 (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 35.

**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 Neighbourhoods and Finance Director 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.

**By order of the Board**

**Simon Price, Chair of the Board**  
**14 September 2015**



## Operating and Financial Review

### Background

North Devon Homes is a registered provider of social housing which was formed in February 2000 to accept the transfer of 3,281 homes from North Devon Council. At 31 March 2015, the Company owned 3,151 (2014: 3,070) 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:

	2015	2014
<b>North Devon Homes' Affordable Housing Stock:</b>		
<b>General Needs</b>		
Social rent *	2,335	2,372
Affordable rent	223	105
Intermediate rent	10	-
<b>Older persons / Supported Housing</b>		
Social rent	583	593
<b>Total</b>	<b>3,151</b>	<b>3,070</b>
Shared Ownership	25	21
Market Rented	8	5
Leasehold Properties	94	93
Units managed on behalf of others	24	22
Garages	775	776
Commercial Properties	21	21

\* includes 12 social rented properties which were demolished in the year as part of our PRC development programme.

### Governance and Management

During 2014/15 the Board met 10 times to provide effective governance to the business. The Board is supported by its Audit and Risk Committee and also the Remuneration Committee.

The Board has formally adopted the updated National Housing Federation Code "promoting Board excellence for housing associations". 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 2014/15 are provided on page 4.





## 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.

During the year the HCA carried out an assessment of the Company's financial viability and North Devon Homes has maintained the following highest Regulatory Ratings as at March 2015:

- **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. 2014/15 was the final year of the plan and highlights of achievements 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 2014/15:

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

In total 106 new homes were acquired in the year; 5 as section 106 purchases and 101 new build which were on PRC regeneration schemes. The market sale site at Pill Gardens, Braunton, which was undertaken as a joint venture agreement with Pearce Barnstaple for the development of 32 units was substantially completed and 15 properties were sold in the year. In 2015/16, 63 properties are planned for completion or sale (28 affordable units, 20 shared ownership and 15 market sales).



## Operating and Financial Review (continued)

### 2. **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, with the year end result at 0.37%. We have continued to provide our customers affected by benefit changes and support and advice and this work will continue into 2015/16 as further welfare reform and universal credit changes take effect.

### 3. **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. In preparation for the introduction of the new HCA Regulatory Code in April 2015, the Board started to review its governance arrangement and skills and developed an action plan. A new assurance framework was introduced to clearly set out governance arrangement from Board to operational level.

### 4. **Review of Older Persons Services**

In consideration of the withdrawal of Supporting People Funding from April 2015, the Older Persons Strategy was reviewed and updated, which highlighted the Company's commitment to providing an older persons service provision into the future.

### 5. **Review of Young People's Service**

Following the hugely successful delivery of the Big Lottery outcomes 2012-2015 and the positive impact the project has made on local communities, the Board reviewed the service in January 2015 and agreed to support funding the service through 2015/16, regardless of the outcome of any future funding bids.

A milestone achievement was to obtain a second round of Big Lottery funding for the next three years, which was confirmed in March 2015.

### 6. **Charitable conversion**

To support the Company's vision and delivery of strategic objectives, work progressed in the year to convert to the Company to having charitable status. Following detailed consultation with customers and discussions with lenders, the deadline for conversion of 1 April 2015 was met.

## **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 (SEPs) for each service area. The SEPs inform the Performance Development Framework (PDFs) for each member of staff. Both the SEPs and the PDFs 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.



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## Operating and Financial Review (continued)

A web based performance management system is in place to monitor and manage performance and delivery across the business including our corporate plan, service excellence plans and quarterly performance reports.

During 2014/15 the performance management framework was further strengthened through the introduction of a KPI dashboard to provide greater strategic focus.

Performance across the organisation as at 31 March 2015 is summarised on the following page:



## Operating and Financial Review (continued)

# Performance Year End 2014/15

Here is how we are performing in some of our key areas compared to the same period 2013/14

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.

	PREVIOUS PERFORMANCE	CURRENT PERFORMANCE	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	63	51	No Target	N/A
Complaints upheld	25	27	No Target	N/A
Compliments received	113	91	No Target	N/A
<b>REPAIRS</b>				
Customer satisfaction with the repairs service - overall	96%	96%	96%	☺
Emergency repairs completed within 24 hours	96.0%	96.7%	99.0%	☹
Urgent repairs completed within 7 calendar days	96.4%	96.3%	98.1%	☹
Routine repairs completed within 28 calendar days	94.3%	93.5%	97.0%	☹
<b>CUSTOMER CARE TEAM</b>				
No. of customer satisfaction survey responses by telephone	942	842	720	☹
<b>PLANNED MAINTENANCE</b>				
Customer satisfaction with planned improvements - overall	94%	96%	96%	☺
<b>GAS SAFETY</b>				
Properties with a gas safety certificate	99.95%	100.00%	100%	☺
<b>ANTISOCIAL BEHAVIOUR</b>				
Number of new antisocial behaviour cases	154	109	No Target	N/A
Number of closed antisocial behaviour cases	150	117	No Target	N/A
CLOSED minus NEW antisocial behaviour cases	-4	8	0+	☺
<b>ASSET MANAGEMENT</b>				
Right to Buy / Right to Acquire Sales	16	8	No Target	N/A
<b>RE-LET PROPERTIES</b>				
Number of properties re-let	235	222	No Target	N/A
Average time to re-let properties (in days)	28.3	35.0	27.7	☹
Rent loss due to empty properties (as a % of rental due)	0.66%	0.97%	0.60%	☹
Number of mutual exchanges completed	78	46	No Target	N/A
<b>RENT COLLECTION</b>				
Outstanding rent (current customers)	0.20%	0.37%	1.20%	☹
Outstanding rent (former customers)	0.33%	0.41%	0.51%	☹
<b>CORPORATE HEALTH</b>				
Average number of w/days lost due to sickness absence per employee	6.41	10.45	5.00	☹
Staff turnover (rolling average)	8.80%	17.70%	10.00%	☹
<b>FINANCE</b>				
Liquidity ratio	0.76	2.88	0.95	☺
Interest cover ratio (Lloyds)	167.30%	134.10%	84.68%	☺
Asset cover ratio (Lloyds) valuation @ 31.03.14	85.60%	99.02%	100.00%	☺
Asset cover ratio (Lloyds) valuation @ 31.03.15 concluded June 2015	n/a	90.97%	100.00%	☺
Net annual income (AHF)	n/a	216.55%	100.00%	☺
Asset cover ratio (AHF)	n/a	108.13%	105.00%	☺

\* 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 is 94% based on the 2013 STAR Survey; this is being undertaken again in late 2015.
- **Repairs:** Customer satisfaction with our repairs service remained good throughout the year, and satisfaction remained at 96% - unchanged from 2013/14. Our on-time results were behind target for the year. In part this was attributable to the impact of the failure of our plumbing contractor in the latter part of the period, which affected emergency and urgent repairs. Performance in relation to routine repairs has not improved during the period, but a restructure of our DLO will lead to improved performance in this area in 2015/16.
- **Rent Collection:** The performance of rent collection for current and former customers continues to be extremely strong in 2014/15. Whilst performance is not as strong as in 2013/14, the arrears figures of 0.37% and 0.41% are comfortably below target and sector leading.
- **Gas Safety:** At the end of the year all properties had a valid gas certificate
- **Finance:** The liquidity ratio improved due to higher cash balances held at year end together with the investment of funds with the AHF. We were within the Lloyds and AHF loan covenant targets at the end of the year. The Lloyds asset cover ratio based on the 2014 Countrywide valuation was close to target as peak debt was reached but the 2015 valuation concluded in June 2015 showed a revised year end result which was comfortably within target.

## Risk Management

The Company has a clear framework for managing risk and during the year further work was completed to improve the risk assurance framework, including the introduction of a risk events dashboard and development of risk appetite.

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 full risk register is reviewed by the Audit and Risk Committee on a quarterly basis as well as every 4-6 weeks by the Strategic Performance Group.

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:





## Operating and Financial Review (continued)

Risk	Key controls
<b>Failure to achieve 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 for 2015-18 establishes VfM priorities</li> <li>• VfM Strategy for 2015-18 outlines how value will be delivered</li> <li>• VfM link through strategy, departmental service excellence plans, performance and Board decision making.</li> <li>• Use of benchmarking tools to monitor performance, informing programme of continuous improvement activity</li> </ul>
<b>Delivering a quality service to our older customers within the defined standard and resources allocated to it.</b>	<ul style="list-style-type: none"> <li>• Corporate Plan for 2015-18 establishes priorities for service development</li> <li>• Older persons strategy developed</li> <li>• Budgets and business plan reviewed</li> <li>• Analysis undertaken of customer base and model developed for self payers</li> </ul>
<b>Higher arrears as a result of the introduction of Universal Credit</b>	<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> <li>• Promote Direct Debits and basic bank accounts</li> </ul>
<b>Risk that social housing reform leads to higher rates of Right to Buy / Acquire sales diminishing letting stock and balance sheet</b>	<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>
<b>Poor financial control of business planning threatens financial viability</b>	<ul style="list-style-type: none"> <li>• Budgetary control through monthly review of management accounts</li> <li>• Annual review of business plan, and the financial assumptions contained within it.</li> <li>• External validation of Business plan</li> <li>• Key controls are reviewed annually as part of internal audit programme.</li> <li>• Regular business plan updates to Boards</li> <li>• Comprehensive stress testing of business plan.</li> </ul>
<b>Failure to effectively monitor, anticipate and respond to changes in the economic environment</b>	<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> <li>• Emerging risks discussed at Strategic Performance meeting and Audit &amp; Risk Committee.</li> </ul>
<b>Failure to develop and implement an informed Asset Management Strategy</b>	<ul style="list-style-type: none"> <li>• Asset Management Strategy developed with Board and senior management involvement</li> <li>• Surveyor team restructured to deliver all services in a neighbourhood rather than as a specialism; the patch based model</li> <li>• Regular Asset Management update report presented to Board meetings.</li> </ul>
<b>Failure of the Board to exercise good governance</b>	<ul style="list-style-type: none"> <li>• Assurance Framework developed and implemented to ensure Board receives information needed to govern effectively</li> <li>• Board attendance monitored through KPI</li> <li>• Robust recruitment procedure for Board members</li> <li>• Coaching, training and support available to Chair and Vice-Chair</li> <li>• Skills mix of Board reviewed annually and / or when membership changes.</li> </ul>





## Operating and Financial Review (continued)

### 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 **Objective 4: My Landlord: Deliver 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. Our new Corporate Plan for 2015-18 clearly sets out our continuation of the key strategic objective to 'Deliver VfM' and contains a number of actions that will ensure customer input into our continuous improvement processes are further strengthened. We also measure the cost of these services with our peers using industry benchmarking data from HouseMark.

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. The most recent internal audit of VfM, which took place during the year, provided evidence that such a culture was being developed and supported, as North Devon Homes has:

- A strategic approach to achieving VfM, with the primary objective to offer services that seek to maintain upper quartile performance within our peer group and a commitment to embedding VfM at all levels of the organisation.
- Plans and strategies that are designed to support the organisation in meeting its overall objectives whilst demonstrating VfM.
- A zero-based budgeting system, which requires budget holders to plan their operations for the financial year ahead and justify any expenditure that is to be undertaken.
- Involved the Customer Scrutiny Panel in conducting specific service reviews during which they consider VfM.
- Made available information on VfM performance to customers, staff and other stakeholders by a variety of means (e.g. resident annual report; quarterly resident newsletters; quarterly staff Breakfast Meetings; online copy of the VfM statement).

This annual review looks at how we performed during the year, explains our key VfM measures and sets out our future plans. It discusses asset management, delivery costs and benchmarked data, procurement, and then continues to consider the social value delivered by North Devon Homes, and the impacts of Customer Scrutiny activities. The statement concludes with the key objectives we are taking forward.

### 2. Return on assets

We have a comprehensive approach to asset management, driven by the Board. Our Corporate Plan objective 2 is **My Home: Maintain and build quality, affordable homes**. The ongoing investment, maintenance and improvement of our homes has been a key focus for us in the 2012-15 plan, and continues to be in our 2015-18 plan.

Our Asset Management Strategy is subject to regular review, and has been reviewed and updated during 2014-15 to support the preparation of our new 2015-18 Corporate Plan. Comprehensive asset data is held within our asset management software which enables us to have a good understanding of our housing stock. Our information is regularly refreshed by routine data capture and an ongoing cycle



## Operating and Financial Review (continued)

of stock condition surveys. During 2014/15, 521 surveys were completed and this cycle will continue into next year.

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

Year	Average EUV-SH
2015	£40,616
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 2015 we have £13.3m of uncharged property assets available to use as security against future funding requirements. During 2015/16 we will be reviewing our Treasury 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 2014/15 we have been working on the final remaining phases of the PRC investment strategy with completions of 97 rented and 4 shared ownership units during the year, with a further 35 rented and 20 shared ownership units scheduled for completion on these sites in 2015/16.

The completion of the regeneration of the Forches phase 1 project was a significant milestone in the redevelopment of one of the most deprived areas in Barnstaple. The success of the project was such that in May 2014 HRH The Princess Royal visited the scheme, taking time to talk to the key stakeholders involved as well as visiting the youth club and talking to young persons. As a supporter of rural development schemes, HRH officially opened the new play area which was named 'Eden Park' by one of the local children.

In addition to the property additions arising from the completion of the PRC schemes, 5 Section 106 purchases completed in the year, delivering a total of 106 new homes.

All new homes are built to at least level 3 of the Code for Sustainable Homes which is above the minimum standard. 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 £614k per annum.





## Operating and Financial Review (continued)

### 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.

Work has continued during 2014/15 to develop our NDH sustainability modelling framework which supports active stock appraisal and informs asset management investment decisions. This has enabled us to assess assets against income and expenditure as well as for example, SAP rating, future planned improvement costs and demand information. Front-line staff have been involved to introduce the value from our ongoing engagement with communities and customers into this process. Neighbourhood officers and surveyors have provided assessments that both support and inform this structured review.

The framework is embedded in our Asset Management Strategy. This has supported a strategic decision making process on current and future investment decisions using much more detailed data based on each asset we own. As a result of this one property has been identified for disposal and this has been agreed by the Board, with many others being reviewed prior to any significant investment decisions. More properties are likely to be identified for disposal in 2015/16.

During 2015/16 we will refine the model, updating it with the latest information, and focussing on the lowest performing 10% of assets. 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.

Work on the assets and liabilities register continues to progress during 2015/16 with a deadline for completion of 30 September 2015. In the interim, before the stock appraisal tool and register is fully developed, we are carrying out a full analysis to identify where a property is evaluated as unsuitable, expensive to maintain or requires major repair (including any property where anticipated expenditure is in excess of £10k). Properties are reviewed in detail against a variety of factors, including a net present value calculation and predicted demand and expenditure 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.

### Asset Management Strategy

The Asset Management strategy was reviewed with extensive consultation with customers, staff and the Board and finalised in March 2015 with formal approval by the Board in April 2015. The strategy sets out five clear priorities including: our ambitions for delivering value for money through effective and active asset management, balancing the needs of current and future customers, and maintaining well managed responsive repairs and planned maintenance services.

The **Value for money priority** focuses on the comparative benchmarking position for relevant services, alongside our aims for the future and a summary of activities that will be undertaken to deliver these. The detailed activities have been developed through our North Devon Homes service excellence planning framework.

The priority to **balance the needs of current and future customers** outlines the need for North Devon Homes to focus on our stock appraisal framework. This will ensure that we invest resources strategically in properties that are performing in line with the expectations within the business plan, or are of strategic importance.





## Operating and Financial Review (continued)

The priority focusing upon the **relationship between planned and responsive maintenance** and the value of these services defines our intention to deliver Value for money through a well managed set of Asset Management services. Whilst this is in many ways obvious, this priority aims to strengthen and exploit the relationship between planned and responsive repairs through taking opportunities to strengthen improvement activity - specifically by reviewing responsive repairs and previous component failure in our operating environment. Strong and effective data management, a robust stock condition regime and effective technology are all key components of this focus. The strategy has also been prepared to clarify how we will use lifecycles to inform the design of future stock inspections and planned maintenance programmes.

In the previous VFM statement, we noted that cost and efficiency of responsive maintenance would be investigated further. During 2014/15, a review by the M3 consultancy identified that whilst our customer satisfaction with responsive repairs is improving, the average costs of repairs are increasing and the Asset Management Strategy set out to address this.

We are currently developing plans to remodel or regenerate all of the 35 bedsits that are currently in our housing stock as these are generally hard to let and are no longer deemed a suitable type of accommodation for our future service provision. As a result of some these properties being purposely held vacant during the year to allow for future development of the schemes, void rent loss from these properties was £22k in the year. To support this aim we made preparations to submit a bid for funding to the HCA, and have developed a close partnership with another landlord adjoining one of our schemes - for whom we manage services on their behalf - to explore the potential for the increased value of a joint solution.

A further key strand of the Asset Management Strategy is to deliver homes that are comfortable and affordable to run. During the year we have been exploring a number of opportunities to develop photo-voltaic programmes with the primary purpose of reducing customers' fuel costs. The initiative will be developed further during 2015-16 and it is planned that the first installations will be completed by December 2015.

### **Asset Management: Older Person's sites**

A review of Older Persons Services took place in September 2014, and as part of this traditional older persons sites are also being reviewed with community and stakeholder input to assess against fitness for purpose and alignment to the Supported People strategy. This work was supported by a customer consultation exercise (with service users and residents at the scheme) and through an independent customer scrutiny review. Customer feedback reinforced the value of the services in place and the hidden costs that would be associated with the absence of this service. Consequently the Board reviewed the older persons strategy in September. They approved a plan to manage the delivery of this service through a transition period to address the impact of withdrawal of the County Council funding from 1 April 2015. The project has delivered in line with intentions and is regularly reviewed by the Board.

Following this commitment, an investment of £85k was made into the communal areas of the five key older person's sites to support the expectations of customers in light of the introduction of a new older person housing service charge.

### **3. Costs of delivering services**

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



## Operating and Financial Review (continued)

Per Unit cost analysis	Change			Change			2013
	2015	from 2014	% Change from 2014	2014	from 2013	% Change from 2013	
<b>No of units</b>	<b>3176</b>	<b>85</b>	<b>3%</b>	<b>3091</b>	<b>-5</b>	<b>-0.2%</b>	<b>3096</b>
<b>Operating cost</b>	<b>£3,603</b>	<b>£186</b>	<b>5%</b>	<b>£3,417</b>	<b>£347</b>	<b>11%</b>	<b>£3,070</b>
Debt	£29,244	£5,400	23%	£23,843	£685	3%	£23,159
Interest costs	£834	£32	4%	£802	-£11	-1%	£814
Managment cost	£530	£30	6%	£499	£38	8%	£461
Routine maintenance	£821	-£42	-5%	£863	£9	1%	£854
Cyclical repairs	£269	-£179	-40%	£448	-£19	-4%	£467
Void losses	£44	£16	56%	£28	£5	21%	£24

The net increase in number of units in the year was 85 but the increase in major repairs expenditure expensed during the year as we delivered some key projects and the payment of £528k of pension contributions, is the main driver behind the increase in operating costs per unit. Excluding the pension payment the 2015 operating cost result would be £3,437; an increase of 0.6% from the previous year.

The social housing operating cost per unit in 2014 was £3,417, which when compared to the average in the HCA's latest published Global Accounts 2014 of £3,613, demonstrates that our cost base is competitive compared to others and our 2015 operating cost of £3,603 is still below the 2014 average.

The operating cost per unit is a key tool for controlling costs and during 2015/16 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.

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 2014/2015 was 3.38% (reduced from 3.64% in 2013/2014). Debt per unit increased as a result of drawing down our full £85m loan facility with Lloyds and successfully obtaining an additional £8m of loan funding from Affordable Housing Finance. This bond issue resulted in lower than forecast cost of borrowing and so generated additional funds (loan premium) of £708k which will be reinvested back into our development programme.

### Benchmarking

The Company is clear that VfM is about maximising the value of the services we provide for customers within the available resources; delivering a high quality service as efficiently and effectively as we can. The focus is on both the cost of services and the quality / effectiveness of services. Therefore, we use cost metrics, but also performance metrics (e.g. customer satisfaction; time taken to carry out tasks etc.) to measure VfM.

A key way to ensure that VfM is being delivered is to compare the Company's performance – in terms of costs and quality – to the performance of similar organisations. This enables us to understand where we are doing well, and challenges us where other similar organisations are doing better than us. To enable this, the Company is member of HouseMark, the social housing sector benchmarking service. HouseMark provide us a detailed breakdown of costs and quality measures against a peer group of similar organisations.





## Operating and Financial Review (continued)

The peer group we compare ourselves against is Southern Traditional Housing Associations. No stock size filters are applied, and the group has a median stock size of 3,523 properties, with the largest member having 21,603. North Devon Homes' stock size at the time of benchmarking was 3,060 properties.

Our aim, when compared to the peer group, is to be upper quartile in terms of customer satisfaction and cost. However, we are aware that a sufficiently high quality service may not always be achievable with lower costs. The Company's Board and Customer Forum have agreed that where there is a tension, service quality would normally prevail to ensure that customer satisfaction remains high – although we will always seek to deliver the necessary quality at the lowest cost possible.

The core information in the benchmarking section is derived from the HouseMark benchmarking report and associated data files, published in December 2014, covering 2013/14 performance. 13/14 performance is compared to 12/13 performance as stated in the previous year's VfM statement to demonstrate how performance has changed.

The section outlines the Company's performance in 2013/14, covering the key cost and quality measures, and then explaining in more detail the cost vs performance of the key areas of operations.

### A. Total cost per property

HouseMark validate total operating costs with reference to the Company's audited accounts. Total operating costs can be broken down into employee costs, non-pay costs and reconciling items, which include impairment and depreciation. Employee costs and non-pay costs can be further split into direct costs and overheads. These total costs can then be converted to cost per property, enabling cost comparison between landlords of different sizes.

The table below summarises the cost per property breakdown for North Devon Homes.

Cost Per Property	NDH 2013/14			Change in quartile against peer group 12/13 to 13/14	NDH 2012/13	
	Actual	Quartile	Achieving target?		Actual	Quartile
<b>Total Operating Cost</b>	<b>£4,241.08</b>	<b>Upper</b>	✓	↑	<b>£3,417.89</b>	<b>Middle Upper</b>
<b>Employee Costs</b>	<b>£1,136.38</b>	<b>Upper</b>	✓	↑	<b>£1,043.41</b>	<b>Middle Upper</b>
Direct Staff	£826.61	Middle Upper	✗	↔	£727.19	Middle Upper
Overhead Staff	£309.77	Upper	✓	↑	£316.22	Middle Lower
<b>Non-Pay Costs</b>	<b>£1,738.04</b>	<b>Upper</b>	✓	↑	<b>£1,586.35</b>	<b>Upper</b>
Direct Non-Pay	£1,376.96	Upper	✓	↑	£1,254.91	Middle Upper
Overhead Non-Pay	£361.08	Upper	✓	↔	£331.44	Upper

Source: HouseMark benchmarking analysis for NDH 2013/14 and 2012/13

The performance of NDH relative to peers has improved since the last results in 2012/13; performance has been sustained or improved in every area. Whilst NDH costs have increased, the benchmarking shows that in all areas this is to a significantly lesser extent than the median for the peer group. For each of the three key cost per property headings – total operating cost, employee costs, non-pay costs – the Company has achieved its target and is upper quartile. Direct staff costs is the only area where in 13/14 we are below the upper quartile, and therefore below target. Performance in this area fell beyond





## Operating and Financial Review (continued)

the upper quartile limit by just £58 per property. More detailed consideration of operating costs, employee costs and non-pay costs is provided below.

### *Operating Costs*

In 2013/14, the Company's total operating cost per property ranked 7<sup>th</sup> in the peer group at £4,241 per property, and exceeded upper quartile by £487.

Operating costs have increased from 2012/13 to 2013/14 by £823 per property. This equates to a 24% increase in costs; compared to a 60% increase in the peer median cost. Costs are upper quartile and improved from the previous year where results were middle to upper quartile.

North Devon Homes' total operating cost per property compares favourably to the average as reported by the HCA in its Global Accounts 2014: £4,447 per property compared to £4,241 for North Devon Homes.

It should be noted that cost per property is impacted by fluctuating stock levels. In 2013/14, North Devon Homes had 18 less properties than in the previous year due to demolitions and Right-to-buy sales outweighing new builds and purchases. As more new build properties are added to the portfolio, per property costs are expected to decrease.

### *Employee costs*

The Company's employee costs per property ranked 11<sup>th</sup> in the peer group at £1,136 per property, and exceeded upper quartile by £115.

Employee costs per property can be further broken down into direct staff and overhead staff costs; although we are well within the upper quartile limits for overhead staff costs in this area, we are currently middle upper quartile for direct staff costs.

The gap to upper quartile performance per property is £58, as noted above, leaving North Devon Homes costs 8% higher than upper quartile costs. Some progress has been made in this area since the previous year – in 12/13 the absolute gap to upper quartile performance was £86 per property, and North Devon Homes costs were 13% higher than upper quartile costs.

### *Non-pay costs*

The Company's non-pay costs per property rank 3<sup>rd</sup> in the peer group at £1,738 per property, and exceed upper quartile by £462. Both direct and overhead non-pay demonstrate upper quartile performance.

## **B. Cost per property by area of operation**

This section considers the cost per property attributable to the Company's key service areas, providing an insight into those areas of the business that are higher cost compared to peers. Cost per property by area of operation is outlined in the table below.

## Operating and Financial Review (continued)

Total Cost Per Property (CPP) Service Area	North Devon Homes (2013/2014)			Change in quartile against peer group 12/13 to 13/14	North Devon Homes (2012/2013)	
	Result (£)	Quartile	Achieving target?		Result (£)	Quartile
Total CPP of Responsive Repairs & Void Works	909.42	Middle Lower	✗	↔	879.54	Middle Lower
Total CPP of Rent Arrears & Collection	149.74	Middle Upper	✗	↔	133.36	Middle Upper
Total CPP of Anti-Social Behaviour	45.95	Upper	✓	↔	44.55	Upper
Total CPP of Major Works & Cyclical Maintenance	1,160.35	Middle Upper	✗	↔	1,052.48	Middle Upper
Total CPP of Lettings	28.35	Upper	✓	↔	27.84	Upper
Total CPP of Tenancy Management	95.84	Upper	✓	↔	96.86	Upper
Total CPP of Resident Involvement	53.31	Upper	✓	↑	54.37	Middle Upper
Total CPP of Estate Services	128.21	Upper	✓	↔	134.16	Upper

Source: HouseMark benchmarking reports 2013/14 and 2012/13

Overall, North Devon Homes achieves its target of upper quartile performance in five of the eight measures; this is improved from 2012/13 as Resident Involvement costs have moved from Middle Upper to Upper Quartile performance. As noted above, whilst costs have increased, they have broadly done so to a lesser extent than the peer median, demonstrating that performance relative to peers has improved.

There were three measures that did not achieve Upper Quartile target:

- **Responsive repairs and void works:** Whilst costs increased to a lesser extent than the peer median, performance remains Middle Lower Quartile. Looking at the driver for this performance, direct non-pay costs are upper quartile, whilst direct employee and overhead costs are lower quartile; however, it should be noted that organisations with a Direct Labour Organisation are usually subject to higher relative employee costs, and lower relative non-pay costs.
- **Rent arrears and collection:** Costs increased by broadly the same amount as the peer median, and the performance remains Middle Upper Quartile. However, income collection performance continues to be extremely strong, with total arrears 0.54% of rent due in 13/14 – significantly better than the upper quartile of 3.91%.
- **Major works and cyclical maintenance:** Costs increased to a lesser extent than the peer median, although performance remains Middle Upper Quartile.

### C. Performance against quality measures

Whilst cost is an important element of VfM; it is not the only component. North Devon Homes are committed to providing high quality services to customers, and therefore performance against quality measures is key to understanding VfM provided.

Customer satisfaction is an indicator of the quality of service being provided. The NDH approach, discussed and agreed at Board level, is to look to increase customer satisfaction beyond the current high satisfaction levels of 94%, even where this implies higher costs. However our aim is always to deliver the required quality at the lowest cost.

The quality measures are outlined in the table below.



## Operating and Financial Review (continued)

Quality Measures	North Devon Homes (2013/2014)			Change in quartile against peer group 12/13 to 13/14	North Devon Homes	
	Result (%)	Quartile	Achieved Target?		Result (%)	Quartile
% of respondents very or fairly satisfied with repairs and maintenance (GN & HfOP)	90.38	Upper	✓	↔	90.38	Upper
Average re-let time in days (standard re-lets)	24.30	Middle Upper	✗	↑	23.48	Middle Lower
Percentage of anti-social behaviour cases successfully resolved	98.67	Upper	✓	↔	98.41	Upper
% of respondents very or fairly satisfied with the overall quality of their home (GN & HfOP)	88.20	Upper	✓	↔	88.20	Upper
% of respondents very or fairly satisfied with the service provided (GN & HfOP)	93.90	Upper	✓	↔	93.90	Upper
% of respondents very or fairly satisfied that their views are being listened to and acted upon (GN & HfOP)	80.66	Upper	✓	↔	80.66	Upper
% of respondents very or fairly satisfied with their neighbourhood as a place to live	92.85	Upper	✓	↔	92.85	Upper
Overhead costs as % of adjusted turnover	13.16	Middle Upper	✗	↑	13.23	Middle Lower

Source: HouseMark benchmarking reports 2013/14 and 2012/13

Overall, it can be seen that the Company achieves the target of Upper Quartile performance in six of the eight measures; for the two measures where performance is not as strong – Average re-let time and overhead costs as % of adjusted turnover – performance in relation to peers has improved from Middle Lower to Middle Upper Quartile.

In the previous VfM statement, we highlighted overhead costs as a % of adjusted turnover, explaining that as one of the smallest associations in the peer group, it was more difficult for us to obtain economy of scale within overhead functions. The table below demonstrates how performance has changed since the previous year:

Overhead costs as a % of adjusted turnover	North Devon Homes (2013/2014)			Change in quartile against peer group 12/13 to 13/14	North Devon Homes (2012/2013)	
KPI	Result (%)	Quartile	Achieving target?		Result (%)	Quartile
IT and communications as % adjusted turnover	2.91	Middle Lower	✗	↔	2.88	Middle Lower
Office premises as % adjusted turnover	1.94	Median	✗	↑	1.78	Lower
Finance as % adjusted turnover	1.74	Upper	✓	↑	1.89	Middle Lower
Central and other as % adjusted turnover	6.57	lower	✗	↔	6.68	Lower
Total Overhead as % adjusted turnover	13.16	middle lower	✗	↑	13.23	Lower

Source: HouseMark benchmarking reports 2013/14 and 2012/13

As a result of efforts to reduce overhead costs, the Total Overhead has improved relative to peers, and two of the four component measures have improved, most notably the finance overhead. However, we still do not meet our aim of upper quartile performance in this area, and will continue to look to reduce the proportion of adjusted turnover we spend on overhead costs, most notably in relation to central / other costs, and IT and Communications.

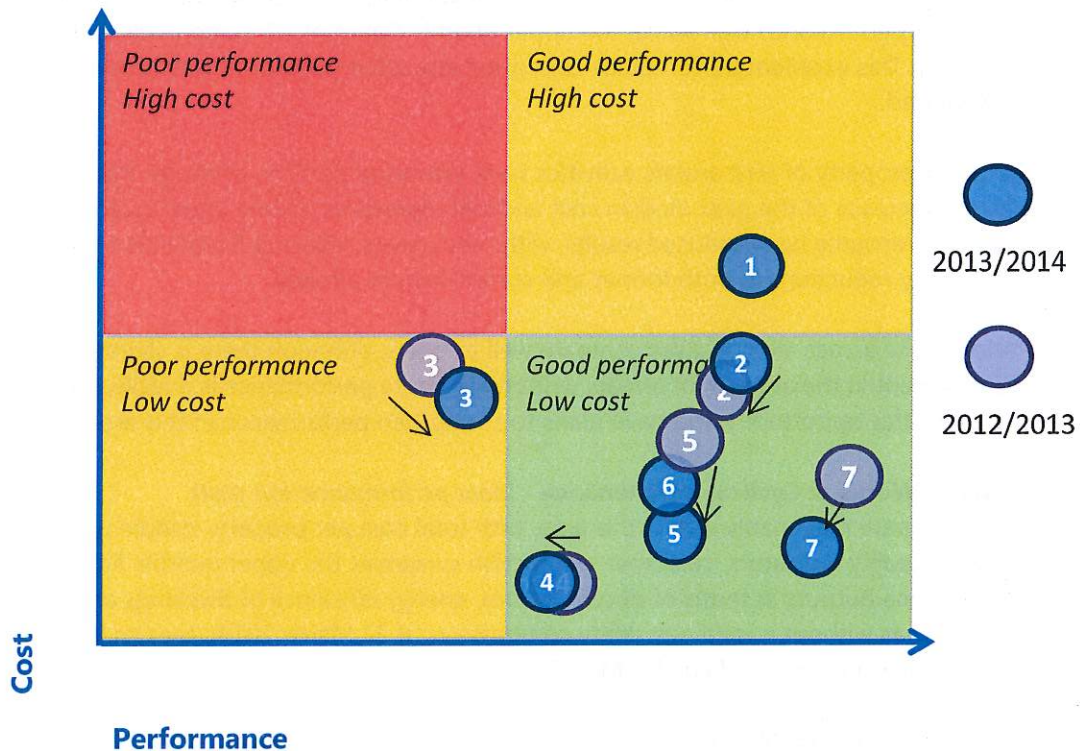




## Operating and Financial Review (continued)

### Summary: Performance against Cost

This section draws together the cost and quality information outlined above to summarise the VfM offered by the key service areas of the Company. The cost vs. performance matrix summarises this below showing 2012/13 performance where comparable data is available to indicate direction of travel.



#### KEY

- 1 – Responsive Repairs and void works (no prior year comparison available)
- 2 – Rent arrears and collection
- 3 – Major works and cyclical maintenance
- 4 – Lettings
- 5 – Tenancy Management
- 6 – Resident Involvement (no prior year comparison available)
- 7 – Estate Services

Source: HouseMark benchmarking reports 2013/14 and 2012/13

Overall, it can be seen that performance for most areas is offering good VfM as it is good performance at low cost. Each service area is considered in more detail below.

#### 1) Responsive Repairs & Void Works - [good performance; high cost]

Performance in this area compares well to peers, with customer satisfaction and average time taken to complete repairs both upper quartile, and average re-let times and rent loss due to empty properties middle upper quartile. However, as noted above, the cost of delivering the responsive repairs and voids works service is higher than the average (£909 against the £869 median), attributable to having a Direct Labour Organisation (DLO), as explained above.



## Operating and Financial Review (continued)

Whilst the DLO will always have an impact on cost, a review of activity has taken place in early 2014/15 which it is anticipated will reduce costs / efficiencies, and drive further performance improvements from Q3 onwards 2015/16.

### 2) Rent Arrears & Collection - *[good performance; low cost]*

Rent collection performance continues to be outstanding; in 2013/14 current tenant rent arrears are 0.2%, with performance well above the upper quartile figure of 3.1% and leading the peer group and the sector. This excellent performance continued into 2014/15 with current tenant arrears at 0.37% at the year end.

Costs per property of rent arrears activities have increased by 12%, although this cost increase is in line with the increase of the peer median cost and still represents middle upper quartile performance. The increased resource has produced results, with rent arrears reducing from 0.7% to 0.5% of rent due (this is driven by reductions in both former and current tenant arrears).

Performance across all indicators compare well to peers, although there is slight opportunity for improvement in the amount of arrears written off where performance is middle/upper quartile. We recognise this opportunity and have plans to strengthen performance in this area during 2015/16.

### 3) Major Works & Cyclical Maintenance - *[poor performance; low cost]*

Costs compare reasonably well in this area, with total cost per property middle upper quartile, and in terms of quality indicators, customer satisfaction surpasses the upper quartile limit. However, performance outputs in terms of decent homes, energy efficiency of dwellings and gas safety (one property was without a valid gas safety certificate as at 31 March 2014), sees us just within the 'poor performance' area of the Value for Money matrix.

As at 31 March 2015, North Devon Homes is pleased to report that all properties – bar two PRC properties - now meet the decent homes standard, and that following exceptional sustained performance in gas safety, 100% of properties with a gas supply had a valid gas safety certificate in place.

That said, it is recognised that there is room for improvement within the energy efficiency of our properties. Consequently, a significant element of the 2015-18 Corporate Plan relates to improving energy efficiency of our properties, and 2015/16 internal performance targets have been increased to support this improvement. The target average SAP rating for our stock has been increased from 69.6 to 70 for 2015/16.

### 4) Lettings - *[good performance; low cost]*

Cost per property of lettings activity is very low compared to peers (£28 against the £55 upper quartile level), while tenancy turnover has dropped since 2012/13 but remains higher than the average (7.48% against the 6.2% median). Average re-let times have increased slightly from 23.5 days to 24.3 days and rent loss due to voids has increased correspondingly, although both areas of performance remain within middle upper quartile levels.

The team is focused in 2015/16 on reviewing / improving processes to ensure that average re-let times and consequent rent loss are reduced.



## Operating and Financial Review (continued)

### 5) Tenancy Management - *[good performance; low cost]*

Tenancy management covers the management of individual tenancies and the general management and monitoring of estates. It includes monitoring estate services contracts, tenancy management and support, tenancy sign-ups and enforcement of tenancy conditions (other than ASB, unauthorised occupation and rent arrears).

In 2013/14, the total cost per property of delivering the tenancy management service decreased. Costs within this area fall comfortably within upper quartile performance levels, as does customer satisfaction with service provided. However, understanding and managing the number of tenancy terminations presents further opportunity for improvement.

### 6) Resident Involvement - *[good performance; low cost]*

Since 2011/12, the total cost per property of resident involvement activities has fallen by 38% from £73 to £53 per property, and in 2013/14 we see resident involvement move from middle/upper to upper quartile performance in this area; this is the only service area where there is a change in total cost per property quartile performance.

Performance in this area is strong compared to peers, with 81% of customers satisfied that their views are taken into account (exceeding upper quartile performance by almost 8% and placing North Devon Homes 3<sup>rd</sup> in the peer group). Nevertheless, the percentage of tenants on whom the organisation has diversity information presents further opportunity for improvement, with current performance lower quartile.

### 7) Estate Services - *[good performance; low cost]*

Estate services contains the following functions: caretaking, cleaning, concierges and security and grounds maintenance (including grass cutting, hedge trimming and other gardening).

Since 2011/12, the total cost per property of estate services has fallen by 9% from £140 to £128 and is currently upper quartile, although direct non-pay and overhead costs per property fall between middle and upper quartile performance levels. Performance in this area is strong compared to peers, with 93% of customers satisfied with their neighbourhood as a place to live.

### 8) Anti-Social Behaviour - *[not on matrix]*

ASB does not feature on the Value for Money matrix due to incomplete performance data relating to customer satisfaction with case handling and outcome, which has always proved difficult to collect. In 2015/16, we plan to make a focussed effort to collect this information in relation to cases closed throughout 2014/15.

ASB is a relatively low cost, high performance area. A consistent and upper quartile cost per property (approx. £45 in both 2012/13 and 2013/14) is servicing an increased caseload and with excellent rates of successful resolution.

## 4. Procurement

Procurement is a key area where organisations can ensure they are delivering value for money. For strategic procurement (high-risk, high value) we have developed strategic partnerships and continue to investigate partnering arrangements. The Company is a member of Advantage South West (ASW) through which it is able to gain advantage of collective purchasing power. ASW is a limited liability partnership owned by DCH, North Devon Homes, Ocean Housing Group and Yarlington Housing Group. Advantage SW exists to improve homes and lives through collaboration and innovation.

## Operating and Financial Review (continued)

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.

Through ASW, we set up a joint arrangement with Teign Housing 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. Appointment of the Procurement Manager enabled us to improve our procedures and approach to procurement.

NDH also utilises the Procurement for Housing (PfH) consortium which has over 850 members nationally. NDH currently use Office Depot, AKW Medicare and also Greenhams via their framework agreement to get best value.

### Outcomes in 2014/15

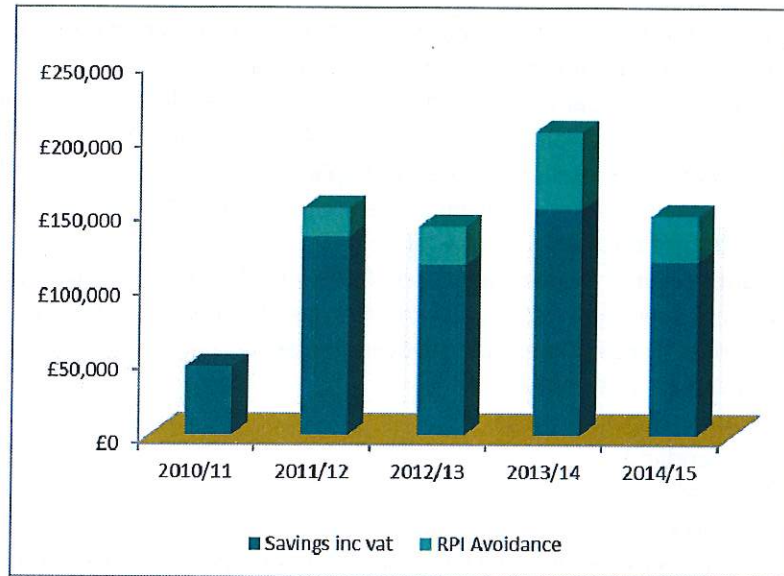
The table below details the ASW cashable savings (including unrecoverable VAT) that have been generated for NDH and additional costs avoided due to framework price changes being lower than RPI during the year 2014/2015:

Item	Expenditure	Total Savings	RPI Avoidance
Bathrooms	£4,735	£4,739	£353
Boilers	£47,770	£15,085	£4,126
Consumer Units	£14,086	£2,486	£1,245
Controls	£59	£17	£4
Doors	£60,767	£15,153	£4,846
Electric Heating	£1,426	£141	£124
Fans	£3,407	£852	£503
Flooring	£8,884	£2,805	£688
Kitchens	£90,725	£58,616	£16,253
Radiators	£3,886	£4,837	£1,030
Taps	£1,706	£3,203	£137
Windows	£11,513	£2,032	£1,416
Legal services	£21,769	£7,256	£0
<b>Grand Total</b>	<b>£270,733</b>	<b>£117,222</b>	<b>£30,725</b>

The graph below shows the significant savings that have been achieved over the last 5 years through our membership of ASW.



## Operating and Financial Review (continued)



Total savings through ASW amount to just under £120k - some examples of specific savings delivered in 2014/15 are:

- NDH has been instrumental in ensuring that ASW address the provision of asbestos surveys and associated services in their upcoming work plan. In the interim, we secured a more competitive price on our Asbestos Surveys through a review of costs and renegotiation of charges. Savings identified with the asbestos contractor resulted in a 50% reduction in visit costs; an estimated savings of £5k per month.
- Reviewed paint supplier to achieve potential average savings of 28% (£8) per unit. Identified through purchase of paints via Procurement for Housing (PfH) consortium.

Through ASW, North Devon Homes are also helping customers reduce their energy costs directly. ASW have a member of staff, housed at NDH, whose role is to assist ASW Members to help residents reduce their costs of running their homes - looking particularly at utility pricing, knowledge and digital inclusion. The main project that ASW have worked on in 2014/15 is to bring to residents a gas and electricity supply option that would provide an ongoing cost effective offer. This will be launched during 2015. Additionally ASW are:

- working with South West Water to target reducing water bills;
- identifying opportunities for Members to apply for external funding and supporting them in those applications
- talking with agencies who can help residents improve their credit ratings by taking account of on-time rent payments with a view to piloting this
- providing Members with advance notice of Energy Saving Trust funding opportunities and supporting them in applications
- working with Members to develop solutions to the digital inclusion agenda.

North Devon Homes has also made changes relating to procurement activities to increase value for money from its activities. These include:



## Operating and Financial Review (continued)

- **E-tendering:** NDH are beginning to utilise e-tendering which makes better use of administrative time to ensure documentation is disseminated and received in a more cost effective fashion. Benefits include faster tender turnaround, greater audit capabilities, less administrative time, and the ability to embed best practise in E-tender templates. During 2014/15, templates have been created, users trained, an e-tendering system implemented, and used for tendering (e.g. for External Decorations contract). However, not all tenders have been issued via this route, and further embedding of the system is needed.
- **Ensuring quality service from contractors:** To ensure that we are delivering the service that customers require, feedback was sought and a series of generic questions devised that are now included in tenders. These address the following areas :
  - Quality of product and service
  - Communication of best practise
  - Complaints handling
  - Appointment scheduling
  - Customer service.
- **Social value:** consideration of social value has been incorporated into all tenders. There is a specific section added to each tender asking prospective contractors to detail the Social value contribution they would make if successful. It is a part of the tender scoring matrix. Examples from successful contractors include guaranteeing job interviews to suitably qualified tenants, providing annual work placements, and providing materials and supervision for a community labour project.
- **Key Performance Indicators:** KPIs have been developed to drive performance, focused for example on ensuring that a number of quotes are obtained to ensure best VfM, and contracts are re-tendered on time.

In 2014/15 a number of contracts were renewed (Commercial Gas Boiler Servicing, Domestic gas servicing, External decorations, Responsive electrical work, and Plumbing) - each contract has been considered with Value for Money and social value principles in mind, and reviewed with the Procurement Manager. There were a number of notable outcomes that impacted on VfM:

- Domestic gas servicing – Changes to the charging framework (NDH will only pay for a system to be serviced once annually, even if it is serviced twice within a calendar year) will lead to an expected annual saving of £5k in 2015/16.
- Responsive electrical work – The negotiated rates are 30% lower than NHF Schedule of Rates.
- Plumbing - The negotiated rates are 20% lower than NHF Schedule of Rates.

### Actions for 2015/16

NDH will continue to look to deliver further savings through its procurement activities. We will continue to specifically utilise the ASW framework agreements during the coming year due to the significant cost savings that can be obtained. As well as this, in 2015/16 we will:

- look to obtain further value for money through cost sharing arrangements amongst ASW partners, as ASW has a long term objective to develop cost sharing arrangements amongst its partners
- continue to develop a greater number of mutually beneficial procurement partnerships
- look at reducing the number of suppliers used and to aggregate contract values for routine procurement (low value, low risk)
- Further embed e-tendering so that all NDH tenders are issued via this process.



## Operating and Financial Review (continued)

Our significant planned procurement activity for 2015/16 includes insurance and cleaning services. We are also setting up frameworks with ASW for Asbestos (ASW are now working with Westworks to put in place frameworks for asbestos surveying and removal - expected to be operational in the first half year of 2015-16), and for all the main installation and servicing contracts. It is expected that these will deliver improved VfM in future.

### 5. Social return

The value that North Devon Homes provides to its customers is not limited to the cost and quality measures detailed above – our activities also deliver a social return to the communities we operate in. 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.

In 2014/15 we have developed a social value register to enable NDH with customer representatives to determine the initiatives that will deliver the most social value for the community. As noted above, social value is also a consideration in all tendering for NDH contracts.

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.

#### **Older Persons Service**

In April 2014 the Board approved the Older Persons Strategy which outlined a set of priorities and objectives in light of the cessation of funding for the support service from April 2015. Following this a programme of consultation was held with customers on the future of the service. The Scrutiny Panel also completed a review of the service. The overall feedback from the consultation was that customers really value the service and were willing to pay towards the cost of the service.

As older persons make up a significant proportion of our customers (just under 600 properties are designated as housing for older people, and we also have older people living in General Needs properties), withdrawal from the service was considered to have a number of risks associated with it as well as not supporting our vision of being a community landlord. The Board agreed that this service should be part of our key service offer into the future and agreed the required additional business plan contribution of £154k.

A further review of the service is planned in 2015/16.

#### **Young Peoples' Service**

2014/15 was our final year of a three year Lottery Funded Young People's (YP) initiative (Starfish NDH). This project was driven by 4 key outcomes across three recognised top quartile pockets of deprivation in our area:

**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.



## Operating and Financial Review (continued)

- During 2014/15, 243 opportunities were created with an overall total of 758 opportunities over the three years 2012-15.

**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.

- 25 school leavers within the project have secured paid employment and/or college placements that without this project would have become NEET (Not In Employment, Education or Training).
- During 2014/15, 145 opportunities were created with an overall total of 472 opportunities over the three years 2012-15.

Young people recognise the difference our work at NDH has made in their lives; one young person said: *"Something I'd like you to know about my youth project is if it wasn't for the youth club I wouldn't be the person I am today. I wouldn't have a job or hardly any qualifications..."*

**Outcome three:** Young people undertaking projects tackling healthier lifestyles to improve their health and wellbeing through engaging in health awareness and general wellbeing.

- During 2014/15, 110 opportunities were created for young people to undertake healthier lifestyles, with an overall total of 355 opportunities over the three years 2012/15.

**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 which has been sustained through the project's lasting impact.

This also translates into the wider community, parents tell us, for example; *"It's support, not just for the children but for the parents as well, there is good communication between parents and staff."*

Young people recognised that their behaviour had changed as a consequence of their involvement with Starfish NDH.

During December 2014 an independent evaluation through the university of St Mark & St John, Plymouth, was undertaken to demonstrate the value for money and social capital of the work. Dr Cooper's report positively endorsed the project and clearly demonstrates our ambition and commitment to being a community landlord (see table below for comments from the report).

At the January meeting the Board clearly supported its commitment to supporting the service into the future by agreeing to fund the service into 2015/16 as part of the approved budget, pending the outcome of any future lottery funding bids.

Based on the learning and success of this project 2012-15 a bid for a further three years funding was submitted to the Big Lottery and in March 2015 was confirmed as successful in gaining £349k continuation funding 2015-2018.





## Operating and Financial Review (continued)

### Evaluation of Starfish NDH – Dr Susan Cooper

*"NDH have developed an **exemplary approach** to youth work shaped by community development practices."*

*"The extrinsic worth of the project outcomes to NDH and its partners and collaborators is considerable. The trusting and respectful relationships achieved between the staff and young people have enabled other professionals to access young people perceived as difficult to reach."*

*"The innovative youth work practice model 'Developing Young Communities' should be disseminated far and wide as an example of excellent practice in both practice and academic forums."*

*"Collaboration is at the heart of the Starfish project and the strength of the relationships between NDH and its partners (professional, parents & customers) is remarkable. Further partners and collaborators should be sought to develop future opportunities as appropriate."*

A full copy of the report is available on our website [www.ndh-ltd.co.uk](http://www.ndh-ltd.co.uk)

### 2015-2018 Youth Project

The 2015-18 project has been designed to meet the needs of the community and YP driven by four key outcomes relating to the life and employability skills / capabilities of young people (see box below for detail).

#### **2015-18 Youth Project Outcomes**

Outcome 1: Young people benefiting from youth training courses and learning opportunities to increase employability skills

Outcome 2: 9-12 yrs YP learning life skills leading to improved behaviours within school/family settings and increased emotional coping mechanisms

Outcome 3: 13-19 yrs YP benefiting from projects to improve health awareness and emotional/physical resilience to strengthen coping mechanisms

Outcome 4: YP benefiting from opportunities to build community networks/ wider community awareness leading to increased self confidence/self esteem.

To achieve maximum value for money we are working with key collaborative partners who are;

- 1) The University of St Mark and St John who will be training and monitoring a Participatory Evaluation Framework to measure the longitudinal change and impact of the project.
- 2) The NHS who are delivering training in for practitioners, parents and YP to develop health champions, identify where services can be delivered around health and wellbeing, in particular around YP self harming and increasing resilience and coping mechanisms.
- 3) DCLG localism pilot project, One Ilfracombe to further develop work with young people to bridge the gap in services available.

We will be measuring and reporting on the outcomes of these projects over the next three years.





## Operating and Financial Review (continued)

### Community Development

In the last year community led projects have been enhanced with NDH providing resource and assisting to attract external funding, for example;

- 1) Community Sew & Hoe project that attracted £8k of European Social Fund funding to deliver training and develop community groups.
- 2) Supporting a family led Saturday morning arts and crafts group
- 3) Attract high profile visitors to celebrate communities successes e.g. HRH The Princess Royal visited the Young Persons' project on Forches Estate in May 2014 where customers, partners and NDH were able to showcase the regeneration undertaken.
- 4) The further development of a community garden which has elements for intergenerational work that attributes to breaking down barriers and perceptions between generations adding to community safety.

### 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; put the customer at the heart of all we do. The Corporate Plan for 2015-18 sets out actions that will further strengthen the customer involvement processes, and ensure our continuous improvement activity is further informed by our customers.

Over the period 2014/15 the NDH Scrutiny panel has established robust procedures to scrutinise service delivery which has led to the development of a NEF model of impact assessment. This tracks what the panel do and allows for challenge and further scrutiny where services are required to demonstrate how they have adopted customer's views and/or recommendations. For example:











- 1) Customer Satisfaction on Response Repairs and Maintenance was a key recommendation within the Board Action plan; specifically to increase the % of customers returning satisfaction surveys. The panel reported to the Board that they would like to see more customers returning satisfaction forms to further support the VfM this service demonstrates by changing the way in which we provide a satisfaction questionnaire to our customers. The panel have requested evidence of this for their August 2015 meeting and to review the new satisfaction survey and process that is being developed as a direct result of their suggestions.
- 2) The Older Persons' Service Review coincided with service charges being adopted to enable a continued service. The panel clearly demonstrated the need for this service through a series of consultation events directly with customers. In the report to the Board they highlighted the VfM the service gives customers - especially where support workers go above and beyond in assisting vulnerable older people, and made it clear that customers want this service to remain available in the light of government cutbacks. As part of the review process the panel have requested feedback on how older customers have managed this transition from direct funding to service charges, and evidence that the VfM within the service has not been compromised as a result, to be fed back to them in July 2015.

### 3. Key objectives summary

In last year's VfM statement, we included a list of key objectives to action during 2014/15. These are outlined below with an update on progress. A traffic light system is used to quickly indicate completion, partial progress, or limited / no progress.



## Operating and Financial Review (continued)

<ul style="list-style-type: none"> <li>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</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>The Corporate Plan is agreed, with VfM drivers / approach embedded.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>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</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>Project approach has been utilised, and will continue to be in 2015/16. Notable results include -£55k saving through introduction of a Neighbourhood Property Advisor role; large savings (c. 50%) on materials for repairs following negotiation with supplier; annual savings of £4,500 by re-use of old server as part of disaster recovery – rather than paying external contractor; income team seeing customers at Head Office wherever possible, leading to mileage cost savings and ability to see more customers in a day.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>Critical numbers are still being developed, and will be rolled out in 2015/16.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>Leading Empowered Organisations training for managers to empower managers to make change, embed accountability and to achieve VfM through empowerment and leadership</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>Training has been carried out with managers, and some staff.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>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</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>The stock appraisal database is complete but the assets and liabilities register was not completed by March 2015. Work is ongoing and the deadline for completion is September 2015 (see section 2).</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>To move towards upper quartile performance across all of our service areas. This will be measured via HouseMark benchmarking information and tools</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>We have maintained or improved performance in every area; but some service areas still demonstrate performance below upper quartile – in 2015/16 we will focus on improving these areas (see sections 3B, 3C, 3D)</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>To further analyse overhead costs and set targets for reduction where appropriate as part of the annual budget setting process</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>There are some improvements in relation to overhead costs, but more work to be done to reduce overheads as a % of adjusted turnover (see Section 3C).</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>To develop the measurement of social value and incorporate social value into the tendering process</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>Social value is measured by NDH (see Section 5), and is a core element of the tendering process.</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>To obtain greater value through the use of procurement consortia and benchmarking. Identify and report on quantifiable gains</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>Value has been gained through procurement consortia, and gains are reported above (see section 4).</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>Completion of the asset management strategy review by March 2015, ensuring a clear link to the assets and liabilities register and VfM principles</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>The review is complete (see section 2).</i></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>Review sustainable funding opportunities and ways to keep the Youth Intervention Project in place post March 2015.</li> </ul>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li><i>The youth project has secured further funding to 2018.</i></li> </ul> </li> </ul>	



## Operating and Financial Review (continued)

### Objectives for 2015/16

The key objectives for 2015/16 are outlined below:

- **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
- **To move towards upper quartile performance across all of our service areas.** This will be measured via HouseMark benchmarking information and tools. This will particularly focus on those areas where performance is below target, or where it is only just within target performance:
  - *The cost per property of responsive repairs and void works*
  - *The performance in relation to major and cyclical works in terms of meeting the decent homes standard, and the energy efficiency of dwellings.*
  - *The cost per property of rent arrears and collection*
  - *Lettings performance, ensuring that average re-let times and corresponding rent loss due to voids does not increase and lead to poor performance.*
- To further analyse **central overhead costs** and where appropriate the Board to agree targets for cost reduction, as part of the annual 2016/2017 budget setting process.
- Agree **clear and measurable VfM priorities** for the next three years linked to the new Corporate Plan for 2015-18
- Deliver a **VfM Strategy** revised and linked to Corporate Plan delivery
- Deliver an **Assets & Liabilities register** by September 2015
- Continue to **review outputs of stock appraisal** model – focusing on the lowest performing 10% of assets
- Develop and implementing a **continuous improvement plan** to drive improvements in terms of cost and quality – focusing initially on those areas where benchmark data suggests there are opportunities to deliver greater VfM.
- Carry out **service area reviews** as part of continuous improvement plan, to identify and deliver VfM improvements.
- **Review the Supporting People and youth services** to ensure maximum VfM and social value is being delivered to the beneficiaries.
- Deliver a **pilot PV program** in 2015/16 to increase energy efficiency in our homes, with a view to roll out further after lessons from the pilot have been learnt
- Update **Procurement Strategy** to ensure all benefits are being gained from procurement activity, and review opportunities for procurement gains through contracts rather than one-off purchases.
- Get a better understanding on the **energy performance** of our properties and to determine actions needed to address those properties that fall below a SAP rating of 54 (Band E) for implementation over the following two years.

The Board are committed to delivering a value for money strategy that balances the needs of current customers alongside those with housing need in North Devon. To this end the board will continue to work with partners including the HCA to bring investment for new housing into North Devon.

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





## Operating and Financial Review (continued)

### Financial Review

Income from lettings increased in the year by 4.9% (2014: 3.8%) from £12.994m in 2014 to £13.626m in 2015, due to an increase in stock and the number of properties let at affordable rent levels (up to 80% of market rent). There was an increase in turnover within other social housing activities of £672k (2014: £1,344k) which was due to an increase in shared ownership and market sale activity.

The operating surplus for the year was £2.340m (2014: £3.040m), a decrease of £700k from the previous year. This was attributable to increased spending on major repairs and payment of past service deficit pension costs. During the year £2.639m (2014: £1.854m) of major repairs expenditure was written off to the Income and Expenditure Account and in addition £0.992 m of works were capitalised (2014: £1.135m).

The Company's deficit after tax for the year was £616k (2014: £687k surplus). This amount was transferred to revenue reserves.

### Debt Profile

The Company finances its operations through a long-term loan facility of £85m with Lloyds Bank and Affordable Housing Finance (AHF). The loan agreement with Lloyds has two financial covenants: net cash inflow from operating activities to interest payable, and asset cover. The AHF two financial covenants are net annual income and asset cover. There were no covenant breaches during the year.

£8m of loan funding was agreed during the year as part of a £198.5m bond issue by AHF. An all-in rate of 3.30% was achieved against a nominal loan interest rate of 3.80% and so the Company benefited from an additional loan premium sum of £718k. At 31 March 2015 loan proceeds were invested with AHF pending completion of the securitisation work. This was completed on 8 April 2015.

During the year the remaining £11.3m was drawn down from the Lloyds loan facility as peak debt of £85m was reached in March 2015. At 31 March 2015 the debt profile was as follows:

	2015	2014
<b>Loan Facility</b>		
Fixed Rate Loans	£59,300,000	£51,300,000
Variable Rate Loans	£33,700,000	£22,400,000
<b>Total Loans</b>	<b>£93,000,000</b>	<b>£73,700,000</b>
% unhedged	36%	30%
Average cost of funds	3.41%	3.64%
Total Facility	£93,000,000	£85,000,000

The average maturity of net debt, including these facilities was over five years (see note 16).

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 45. 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.



## Operating and Financial Review (continued)

### Market value of land and buildings

To update the March 2014 Countrywide valuation, a new valuation was instructed in March 2015 based on year end data and this was concluded in June 2015. Using the existing use value social housing (vacant units re-let) methodology, Bruton Knowles provided a valuation of £120.750m (2014 £112.542m) in respect of the whole social rented housing stock. In respect of property charged to Lloyds Bank the valuation is £107.450m (2014: £99.020m). The value of stock charged to the AHF is £8.650m arising from the valuation that was concluded in January 2015.

### 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

**Simon Price**  
**Chairman of the Board**  
**14 September 2015**





## 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**

**Simon Price**  
**Chairman of the Board**  
**14 September 2015**

## 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. Board agendas are structured so that key risk issues are discussed as early agenda items and are clearly identified at the start of reports. The Board had a dedicated risk workshop during the year to review risk and the risk management framework in detail. Risk is 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 and develop contingency plans. 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.

- Anti Fraud and Anti Bribery Policy
- Board Member Code of Conduct & Disciplinary
- Board Members' Responsibilities
- Code of Governance & Accountability
- Computer Security
- Data Protection
- Disciplinary policy
- Money laundering
- Rent Collection and Arrears
- Treasury Management Policy
- Whistleblowing





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

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 Mazars 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 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 actions with the Executive Officers; reviewing the external auditors' management letter; and can undertake 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

**Simon Price**

**Chairman of the Board**

**14 September 2015**



## 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 2015 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 27. 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 37, 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 2015 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 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.

### 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.





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

*Nexia Smith & Williamson*

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: *21/9/15*

## Income and expenditure account for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Turnover</b>	2	<b>17,205</b>	15,971
Operating costs	2	<b>(14,865)</b>	(12,931)
<b>Operating surplus</b>	2	<b>2,340</b>	3,040
Surplus on sale of properties	3	<b>54</b>	114
Interest receivable and other income	4	<b>13</b>	13
Interest payable and similar charges	5	<b>(2,649)</b>	(2,480)
<b>(Deficit)/Surplus on ordinary activities before taxation</b>	6	<b>(242)</b>	687
Taxation	9	<b>(374)</b>	-
<b>(Deficit)/Surplus for the year</b>	18	<b>(616)</b>	687

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





## Statement of total recognised surpluses and deficits for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
(Deficit)/Surplus for the year		<b>(616)</b>	687
Unrealised deficit on revaluation of investment property		-	(75)
Actuarial (deficit)/surplus on pension scheme	24	<b>(691)</b>	87
Total recognised surpluses and deficits since the last annual report		<b>(1,307)</b>	699



## Balance sheet as at 31 March 2015

Registered number 03674687

	Note	2015 £'000	2014 £'000
<b>Tangible fixed assets</b>			
Housing Properties	10a	100,623	93,120
Social Housing Grant	10a	(12,720)	(10,932)
Other grants	10a	(489)	(489)
		<b>87,414</b>	81,699
Other tangible fixed assets	10b	3,175	3,080
Investments	10c	319	15
<b>Total fixed assets</b>		<b>90,908</b>	84,794
<b>Current assets</b>			
Debtors	11	845	1,293
Stock	12	1,595	1,069
Investments	13	8,355	-
Cash at bank and in hand		6,942	1,406
		<b>17,737</b>	3,768
<b>Creditors: amounts falling due within one year</b>	14	<b>(6,543)</b>	(4,956)
<b>Net current assets / (liabilities)</b>		<b>11,194</b>	(1,188)
<b>Total assets less current liabilities</b>		<b>102,102</b>	83,606

### Represented by:

<b>Creditors: amounts falling due after more than one year</b>	16	<b>92,878</b>	73,700
<b>Pension liability</b>	24	<b>2,754</b>	2,124
<b>Revenue reserves</b>	18	<b>6,692</b>	7,999
<b>Investment revaluation reserve</b>	18	<b>(236)</b>	(236)
<b>Restricted funds</b>	18	<b>14</b>	19
		<b>102,102</b>	83,606

These financial statements together with the associated notes on pages 45 to 71 were approved and authorised for issue by the Board on 14 September 2015 and were signed on its behalf by:

Simon Price  
Chairman

Lucy Duchesne  
Company Secretary





## Cash flow statement for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Net cash inflow from operating activities</b>	19	<b>5,650</b>	6,919
<b>Returns on investments and servicing of finance:</b>			
Interest received		<b>13</b>	13
Interest paid		<b>(2,720)</b>	(2,732)
		<b>(2,707)</b>	(2,719)
<b>Capital expenditure:</b>			
Payments to acquire tangible fixed assets		<b>(10,402)</b>	(8,627)
Receipts from sale of tangible fixed assets		<b>582</b>	1,006
Social Housing Grant received		<b>1,641</b>	1,944
Right to buy clawback		<b>(530)</b>	(546)
Investments		<b>(8,659)</b>	-
		<b>(17,368)</b>	(6,223)
<b>Net cash outflow before financing</b>		<b>(14,425)</b>	(2,023)
<b>Financing:</b>			
Loans received		<b>19,961</b>	2,000
<b>Increase/(Decrease) in cash in the year</b>	20	<b>5,536</b>	(23)



## Notes to the financial statements for the year ended 31 March 2015

### 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.

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.





## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 1 Accounting Policies (continued)

#### 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	20 years
- Doors	30 years
- Windows	30 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.

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



## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 1 Accounting Policies (continued)

#### *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 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:

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





## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 1 Accounting Policies (continued)

#### 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.

#### 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



## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 1 Accounting Policies (continued)

future or a right to pay tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable surpluses and its results as stated in the financial statements.

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

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

#### 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 2015 (continued)

### 2 Turnover, operating costs and operating surplus

#### (a) Total operating activities

	2015			2014		
	Turnover £'000	Expenditure £'000	Surplus £'000	Turnover £'000	Expenditure £'000	Surplus £'000
Social housing lettings	13,626	(11,444)	2,182	12,994	(10,562)	2,432
Other social housing activities:						
Current asset property sales	212	(203)	9	990	(794)	196
Charges for support services	559	(555)	4	550	(572)	(22)
Non social housing activities:						
Current asset property sales	1,977	(1,977)	-	536	(536)	-
Other activities	736	(591)	145	805	(371)	434
Restricted funds (Big Lottery)	95	(95)	-	96	(96)	-
<b>Total</b>	<b>17,205</b>	<b>(14,865)</b>	<b>2,340</b>	<b>15,971</b>	<b>(12,931)</b>	<b>3,040</b>

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

	General needs 2015 £'000	Supported Housing and housing for older people 2015 £'000	Total 2015 £'000	Total 2014 £'000
Rent receivable net of identifiable service charges	11,028	2,202	13,230	12,597
Service charge income	190	206	396	397
<b>Turnover from social housing lettings</b>	<b>11,218</b>	<b>2,408</b>	<b>13,626</b>	<b>12,994</b>
<b>Expenditure on lettings:</b>				
Management	(1,365)	(317)	(1,682)	(1,543)
Service charge costs	(226)	(272)	(498)	(493)
Routine maintenance	(2,256)	(351)	(2,607)	(2,667)
Planned maintenance	(745)	(110)	(855)	(1,384)
Major repairs expenditure	(2,016)	(623)	(2,639)	(1,854)
Bad debts	(36)	(17)	(53)	(16)
Write-off abortive costs	(147)	-	(147)	(234)
Pension Fund	(528)	-	(528)	-
Depreciation housing properties*	(2,050)	(385)	(2,435)	(2,371)
<b>Operating costs on social housing lettings</b>	<b>(9,369)</b>	<b>(2,075)</b>	<b>(11,444)</b>	<b>(10,562)</b>
<b>Operating surplus on social housing lettings</b>	<b>1,849</b>	<b>333</b>	<b>2,182</b>	<b>2,432</b>
Void losses	(98)	(43)	(141)	(89)

\* includes £116k of accelerated depreciation on written-off general needs components.



## Notes to the financial statements for the year ended 31 March 2015 (continued)

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

	2015 £'000	2014 £'000
Proceeds of sales (gross)	582	1,006
Less amount taken to Disposals Proceeds Fund	(108)	-
Less NDC sharing of RTB proceeds agreement	(246)	(530)
Less costs of sales	(174)	(362)
	54	114

### 4 Interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable	13	13

### 5 Interest payable and similar charges

	2015 £'000	2014 £'000
Other finance cost – pensions	28	48
Interest on loans wholly repayable in more than five years	2,960	2,713
Interest payable capitalised on housing properties under construction	(339)	(281)
	2,649	2,480
Capitalisation rate	3.57%	4.05%

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

	2015 £'000	2014 £'000
This is stated after charging:		
Depreciation on tangible fixed assets	2,487	2,234
Impairment provision	17	-
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	19	20
Fees payable to the Company's auditor for other services:		
- tax compliance services	12	5
Rent of office accommodation	7	9
Other operating lease rentals	28	28





## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 7 Directors' emoluments

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

None of the Board Members receive emoluments (2014: £nil). The remuneration paid to the Executive Officers of the company during the year was as follows:

	2015 £	2014 £
Emoluments (including benefits in kind)	<b>294,217</b>	292,135
Pension contributions – in respect of services as a director	<b>23,377</b>	25,045
Total emoluments	<b>317,594</b>	317,180

#### Emoluments (excluding pension contributions) paid to the highest paid

##### Director (the Chief Executive)

Salary	<b>118,958</b>	116,776
Car Allowance	<b>4,800</b>	4,800
Other taxable allowances	<b>521</b>	521
Total emoluments	<b>124,279</b>	122,097

All three Executive Officers accrued benefits under defined benefit or defined contribution pension schemes (2014: three directors). The Chief Executive is a member of the defined benefit scheme as detailed in note 24 and participates on the same basis as other members.

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

	2015	2014
Remuneration between £60k and £70k	<b>1</b>	-
Remuneration between £70k and £80k	-	-
Remuneration between £80k and £90k	<b>1</b>	2
Remuneration between £110k and £120k	<b>1</b>	1
	<b>3</b>	3



## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 8 Employee information

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

	2015 No.	2014 No.
Office staff	76	78
Maintenance staff	15	14
Wardens, caretakers and cleaners	16	18
Total	107	110

	2015 £'000	2014 £'000
<b>Staff costs for the above employees</b>		
Wages and salaries	2,972	2,844
Social security costs	253	244
Pension costs*	855	348
	4,080	3,436

\*includes £681k (2014: £113k) of past service deficit pension contributions made in the year.





## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 9 Taxation

	2015 £'000	2014 £'000
United Kingdom Corporation Tax at 21% (2014: 20%)	366	-
Adjustments in respect of prior periods	8	-
	<b>374</b>	-

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

	2015 £'000	2014 £'000
(Deficit)/Surplus on ordinary activities before tax	(242)	687
(Deficit)/Surplus on ordinary activities multiplied by standard rate in the UK of 21% (2014: 20%)	(51)	137
Effects of:		
Expenses not deductible for tax purposes	495	355
Depreciation in excess of capital allowances	(40)	1
Other timing differences	135	(7)
Chargeable gains	3	-
Utilisation of tax deficits	-	(383)
Other amounts	(176)	(103)
Adjustments in respect of prior periods	8	-
Current tax charge for the year	<b>374</b>	-

### Deferred taxation

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

	2015 £'000	2014 £'000
Excess of capital allowances over depreciation	-	82
Losses	-	-
Other short term timing difference	-	(5)
Pension liability (see note 23)	-	(425)
<b>Deferred taxation asset not recognised</b>	-	(348)

## Notes to the financial statements for the year ended 31 March 2015 (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 2014	5,950	104,095	767	1,128	111,940
Additions	8,891	280	-	-	9,171
Component additions/replacements	-	988	4	-	992
Disposals	-	(587)	(4)	-	(591)
Transfers to completed	(12,370)	12,012	103	255	-
<b>At 31 March 2015</b>	<b>2,471</b>	<b>116,788</b>	<b>870</b>	<b>1,383</b>	<b>121,512</b>
<b>Social Housing Grant</b>					
As at 1 April 2014	948	9,467	-	517	10,932
Received in period	1,788	-	-	-	1,788
Transfers to completed	(1,651)	1,591	-	60	-
<b>At 31 March 2015</b>	<b>1,085</b>	<b>11,058</b>	<b>-</b>	<b>577</b>	<b>12,720</b>
<b>Other Grants</b>					
As at 1 April 2014	-	489	-	-	489
Received in period	-	-	-	-	-
<b>At 31 March 2015</b>	<b>-</b>	<b>489</b>	<b>-</b>	<b>-</b>	<b>489</b>
<b>Depreciation</b>					
As at 1 April 2014	-	18,495	19	6	18,520
Charge for the year	-	2,313	9	4	2,326
Disposals (including accelerated depreciation)	-	(274)	-	-	(274)
<b>At 31 March 2015</b>	<b>-</b>	<b>20,534</b>	<b>28</b>	<b>10</b>	<b>20,572</b>
<b>Impairment provision</b>					
As at 1 April 2014	-	177	123	-	300
Movement in the year	-	-	17	-	17
<b>At 31 March 2015</b>	<b>-</b>	<b>177</b>	<b>140</b>	<b>-</b>	<b>317</b>
<b>Net book value at 31 March 2015</b>	<b>1,386</b>	<b>84,530</b>	<b>702</b>	<b>796</b>	<b>87,414</b>
Net book value at 31 March 2014	5,002	75,467	625	605	81,699





**Notes to the financial statements for the year ended 31 March 2015 (continued)**

**10 Tangible fixed assets (continued)**

Included in the balance of housing properties completed and available for letting is £1,125k (2014: £786k) of capitalised interest.

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Major works expenditure</b>		
Amounts capitalised (component replacements and improvements)	992	1,135
Amounts charged to income and expenditure account (note 2)	2,639	1,854
	<b>3,631</b>	<b>2,989</b>

The number of properties owned and managed was as follows:

	<b>2015</b>	<b>2014</b>
<b>North Devon Homes' freehold properties</b>		
<b>General Needs:</b>		
Social rent	2,335	2,372
Affordable rent	223	105
Intermediate rent	10	-
<b>Older persons / supported housing</b>		
Social rent	583	593
	<b>3,151</b>	<b>3,070</b>
Shared Ownership	25	21
Leasehold Properties	94	93
Units managed on behalf of others	24	22
Garages	775	776
Market Rented	8	5
Number of properties with a fixed charge	2,945	2,742



## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 10 Tangible fixed assets (continued)

#### (b) Other assets

	Long leasehold land and buildings			Computers, equipment and plant £'000	Motor Vehicles £'000	Total £'000
	Office and maintenance £'000	Investment Properties £'000	Other Land and Buildings £'000			
<b>Cost or valuation</b>						
As at 1 April 2014	1,828	1,310	174	623	221	4,156
Additions	-	-	-	200	63	263
Disposals	-	-	-	(12)	(12)	(24)
<b>At 31 March 2015</b>	<b>1,828</b>	<b>1,310</b>	<b>174</b>	<b>811</b>	<b>272</b>	<b>4,395</b>
<b>Grants</b>						
As at 1 April 2014	-	-	75	-	-	75
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>75</b>
<b>Depreciation</b>						
As at 1 April 2014	303	-	41	509	148	1,001
Charge for the year	38	-	4	51	68	161
Disposals	-	-	-	(8)	(9)	(17)
<b>At 31 March 2015</b>	<b>341</b>	<b>-</b>	<b>45</b>	<b>552</b>	<b>207</b>	<b>1,145</b>
<b>Net book value at 31 March 2015</b>	<b>1,487</b>	<b>1,310</b>	<b>54</b>	<b>259</b>	<b>65</b>	<b>3,175</b>
Net book value at 31 March 2014	1,525	1,310	58	114	73	3,080

The long leasehold land and buildings relates to a 999 year lease with an option to purchase the freehold after five years. The investment property at Westacott Road, Barnstaple was valued on 31 March 2015 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 2015 (continued)

### 10 Tangible fixed assets (continued)

#### (c) Investments

	2015 £'000	2014 £'000
Investment in Advantage South West LLP	5	5
Investment in Plough & Share credit union	10	10
Investment in Affordable Housing Finance	304	-
	<b>319</b>	15

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 2015 was £106k (2014: £115k) and share of losses for the year was £9k (2014: £0k).

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

The Company's investment in Affordable Housing Finance represents one year's interest on the £8m loan that is required to be set aside in a liquidity reserve fund as part of the terms of the loan.

### 11 Debtors

	2015 £'000	2014 £'000
<b>Amounts falling due within one year:</b>		
Rental arrears	106	70
Less provisions for bad debts	(70)	(46)
	<b>36</b>	24
Prepayments and accrued income	273	447
Other debtors	400	522
Social Housing Grant receivable	136	300
	<b>845</b>	1,293

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 24).



## Notes to the financial statements for the year ended 31 March 2015 (continued)

<b>12 Stock</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Properties under construction	<b>1,526</b>	1,069
Properties held for sale	<b>69</b>	-
	<b>1,595</b>	1,069

Included in properties held for sale in 2015 is £2k (2014: nil) of capitalised interest.

<b>13 Investments</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Short term deposits	<b>8,355</b>	-

Short term deposits represent monies held by Affordable Housing Finance pending completion of security in respect of the £8m loan facility agreed in November 2014.

## 14 Creditors: amounts falling due within one year

	<b>2015 £'000</b>	<b>2014 £'000</b>
Housing loans	<b>783</b>	-
Rent and other payments in advance	<b>340</b>	342
Trade creditors	<b>435</b>	201
Amounts due under Right to Buy sharing agreement	<b>246</b>	530
Corporation tax creditor	<b>374</b>	-
Other taxation and social security	<b>97</b>	93
Interest accruals	<b>539</b>	389
Disposal proceeds fund	<b>108</b>	103
Accruals and deferred income	<b>3,621</b>	3,298
	<b>6,543</b>	4,956





## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 15 Disposals Proceeds Fund

	2015 £'000	2014 £'000
At 1 April	103	103
Transfers from Right to Acquire sales	108	-
Recycled during the year	(103)	-
At 31 March	108	103

### 16 Creditors: amounts falling due after more than one year

#### Housing loans

	2015 £'000	2014 £'000
Expiring in more than one year but less than two years	6,621	783
Expiring in two years or more but less than 5 years	6,047	8,383
Expiring in more than 5 years	80,210	64,534
	92,878	73,700

#### Borrowing facilities

All the Company's borrowing facilities were drawn at 31 March:

	2015 £'000	2014 £'000
Expiring in five years or more	-	11,300

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. The loans are repayable in 2038.

An £8m loan with Affordable Housing Finance was agreed in November 2014 to fund development schemes under the Affordable Homes Guarantee Scheme. The loan is repayable in 2042.

Funding is secured on the Company's freehold housing property.



## Notes to the financial statements for the year ended 31 March 2015 (continued)

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

#### Financial liabilities

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

	2015 £'000	2014 £'000
Floating rate	33,700	22,400
Fixed rate	59,300	51,300
	93,000	73,700
Bond issue premium	708	-
Loan issue costs	(47)	-
	93,661	73,700

The weighted average period for which interest rates were fixed was nineteen years. The weighted average total interest rate for the year was 3.41% (2014: 3.64%). The floating rate financial liability is a sterling denominated bank loan that bears an interest rate based on LIBOR.

### 17 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.

### 18 Reserves

Revenue reserve	£'000
At 1 April 2014	7,999
Transferred from income and expenditure account	(616)
Actuarial loss on pension scheme	(691)
<b>At 31 March 2015</b>	<b>6,692</b>





## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 18 Reserves (continued)

Investment Revaluation reserve	£'000
At 1 April 2014	(236)
Movement in the year	-
<b>At 31 March 2015</b>	<b>(236)</b>

Restricted reserve	£'000
At 1 April 2014	19
Movement in the year	(5)
<b>At 31 March 2015</b>	<b>14</b>

#### Restricted reserves

The restricted reserve represents Big Lottery grant received.

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

	2015 £'000	2014 £'000
Operating surplus	2,340	3,040
Depreciation	2,489	2,235
Write off of abortive costs	147	234
Impairment provision movement	17	-
Pension adjustment	(61)	1
Decrease in debtors	284	(61)
Increase in creditors	902	1,229
Decrease in stock	(526)	103
Loss on disposal of tangible fixed assets	58	138
<b>Net cash inflow from operating activities</b>	<b>5,650</b>	<b>6,919</b>



## Notes to the financial statements for the year ended 31 March 2015 (continued)

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

	2015 £'000	2014 £'000
(Decrease)/increase in cash in period	5,536	(23)
Cash inflows from increase in debt	(19,961)	(2,000)
Change in net debt	(14,425)	(2,023)
Net debt at 1 April	(72,294)	(70,271)
<b>Net debt at 31 March</b>	<b>(86,719)</b>	<b>(72,294)</b>

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

	At 31 March 2014 £'000	Cashflows £'000	At 31 March 2015 £'000
Cash in hand and at bank	1,406	5,536	6,942
Debt due after one year	(73,700)	(19,961)	(93,661)
<b>Net debt</b>	<b>(72,294)</b>	<b>(14,425)</b>	<b>(86,719)</b>

### 22 Other financial commitments

	2015 £'000	2014 £'000
Contracts placed for future expenditure not provided in the financial statements	5,670	7,595
Future expenditure approved but not contracted at the year end	899	2,640

The Board expects the expenditure it has authorised to be fully financed from loan facilities, grant from the HCA of £2.6m and property sale receipts of £5.8m.





## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 23 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:

	2015 £'000	2014 £'000
<b>Lease expiring:</b>		
In less than 1 year	7	3
In 1-2 years	21	25
In 2+ years	-	-
	<b>28</b>	<b>28</b>

### 24 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 currently providing benefits on based on career average revalued salary and length of service on retirement. 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 2014/15 are £54k.



## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 24 Pensions (continued)

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

	2015 %	2014 %
Rate of increase in salaries	4.1	4.5
Pension increases	2.3	2.7
Discount rate	3.1	4.4
RPI Increases	3.1	3.5
CPI Increases	2.3	2.7

### 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:

	2015	2014
Males retiring today	22.8	22.7
Males retiring in 20 years	25.1	24.9
Females retiring today	26.1	26.0
Females retiring in 20 years	28.4	28.3





## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 24 Pensions (continued)

#### Expected return on assets

	Asset split at 31 March 2015 %	Long-term rate of return expected at 31 March 2014 % pa	Asset split at 31 March 2014 %	Long-term rate of return expected at 31 March 2013 % pa	Asset split at 31 March 2013 %
Equities	59	13.2	60	6.0	61
Property	10	4.6	9	4.0	8
Gilts	6	3.6	7	3.0	13
Other Bonds	3	4.2	5	4.1	-
Infrastructure	3	4.2	2	0	0
Cash	2	0.5	2	0.5	3
Target return portfolio	15	6.4	15	4.5	15
Alternative assets	2	0	0	0	0
<b>Total</b>	<b>100</b>	<b>5.9</b>	<b>100</b>	<b>5.1</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. For the year to 31 March 2015, the average expected rate of return on all assets was 5.9% pa., which has been used to determine the profit and loss charge for the year ended 31 March 2015.

The following amounts have been recognised in the financial statements for the year ended 31 March 2015 under the requirements of FRS17:

## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 24 Pensions (continued)

	2015 £'000	2014 £'000
<b>Analysis of the amount charged to operating surplus</b>		
Current service cost	54	66
Total operating charge	54	66
<b>Analysis of the amount credited to other finance income:</b>		
Expected return on pension scheme assets	251	214
Interest on pension scheme liabilities	(279)	(262)
Net finance income	(28)	(48)
<b>Changes to the present value of liabilities during the accounting period</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Opening present value of liabilities	6,491	6,441
Current service cost	54	66
Interest cost	279	262
Contributions by participants	17	16
Actuarial losses (gains)	892	(111)
Net benefits paid out	(370)	(183)
Closing present value of liabilities	7,363	6,491





## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 24 Pensions (continued)

Changes to the present value of assets during the accounting period	2015 £'000	2014 £'000
Opening present value of assets	4,367	4,279
Expected return on assets	251	214
Actuarial gains (losses)	201	(24)
Contributions by the employer	143	65
Contributions by participants	17	16
Net benefits paid out*	(370)	(183)
Closing present value of assets	4,609	4,367

\* 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 2015.

Statement of total recognised gains and losses (STRGL)	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	201	(19)
Experience losses arising on scheme liabilities	(1)	8
Changes in assumptions underlying the present value of the scheme liabilities	(891)	98
<b>Actuarial profit/(loss) recognised in the STRGL</b>	<b>(691)</b>	<b>87</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	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Fair value of assets	4.61	4.37	4.28	3.91	3.96
Present value of liabilities	(7.36)	(6.49)	(6.44)	(5.77)	(5.09)
<b>Scheme deficit at the end of the year</b>	<b>(2.75)</b>	<b>(2.12)</b>	<b>(2.16)</b>	<b>(1.86)</b>	<b>(1.13)</b>



## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 24 Pensions (continued)

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.

<b>History of experience gains and losses</b>	<b>2015 £m</b>	<b>2014 £m</b>	<b>2013 £m</b>	<b>2012 £m</b>	<b>2011 £m</b>
Experience gains/(losses) on assets	0.20	(0.19)	0.27	(0.13)	(0.11)
Experience gains/(losses) on liabilities*	0.00	0.01	0.00	0.00	1.13

\* 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 2015 as £856k. At the year end £332k was held by the DCC Pension Fund and is included within other debtors. The full amount was put in place by way of a guarantee indemnity through Lloyds Bank Plc on 28 May 2015. 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.

#### (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 pension 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 at a rate of 8.7% across all schemes. Member contributions varied between 3.0% and 11.1%.

As at the balance sheet date there were 88 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 2014 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the





## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 24 Pensions (continued)

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 2015 was due to be £129,000. £107k of the past service deficit increases at 4.7% per annum and is payable until 2023. £22k 'Share of Liability' annual contribution increases at 3% per annum and is payable until 2026. The Company paid £458k of future past service deficit contributions in March 2015.

The total employer's contribution for the year was £234k (2014: £134k). An amount of £18k in respect of employer contributions was outstanding at 31 March 2015 (2014: £19,000) and this was paid over to SHPS on 15 April 2015.

### 25 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 2015.

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 £15k (2014: £15k). There were no amounts owed to ASW at 31 March 2015 (2014: £nil).

### 26 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.

### 27 Post balance sheet events

The Company changed to charitable status from 1 April 2015 and established a wholly owned subsidiary company NDH Trading Limited in June 2015.

The Government's budget announcements on 8 July 2015 confirmed a reduction in rents charged of 1% a year for four years from April 2016 and confirmed changes to be implemented as part of Welfare Reform. The Company is revising its long term financial forecasts to ensure no breach of loan covenants and that future financial viability is maintained.