North Devon Homes Limited
Financial Statements
for the year ended
31 March 2016

north devon homes

Registered Company No. 03674687

Registered Charity No. 1164142

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Financial Statements
for the year ended 31 March 2016

Contents

The Board of Management

Mr Simon Price (Chairman)
Mr Robert Stronge (Vice Chairman)
Mrs Dawn Ash
Mr Adrian Jeffery
Ms Sarah Maylor (appointed 25 September 2015)
Mr Ian Richard Setter
Mr Scott Murray (appointed 11 April 2016)
Cllr Mr Brian Moores
Cllr Mrs Faye Webber
Cllr Mr Jeremy Yabsley

Company Secretary

Mrs Philippa Butler (appointed 25 September 2015)

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 & Hamlins
The Senate
Southernhay Gardens
Exeter
Devon EX1 1UG

Tozers
Broadwalk House
Southernhay West
Exeter
Devon EX1 1UA

Principal Funders

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

Funding Advisers

Altair Consultancy & Advisory Services Ltd
Tempus Wharf
29a Bermondsey Wall West
London SE16 4SA

Bankers

NatWest plc
Royal Bank of Scotland Group
1st Floor, Trinity Quay 1
Avon Street
Bristol BS2 0PT

North Devon Homes Limited is a company limited by guarantee (Registered in England, Company Number 03674687), registered charity (charity number 1164142) 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 2016

Strategic Report

The Board of Management presents its strategic report and audited financial statements for the year ended 31 March 2016.

Legal Structure

North Devon Homes Limited ('NDH' or 'the Association) was incorporated in November 1998 in order to effect a Large Scale Voluntary Transfer from North Devon District Council in February 2000. NDH is an independent social business and registered as a charity from 1 April 2015. It has one wholly owned subsidiary Anchorwood Limited which is a development company.

NDH is registered with the Charity Commission as a charitable company and as a provider of social housing with the Homes and Communities Agency, which acts as its regulator. It is also a company limited by guarantee, registered at Companies House. Anchorwood Limited is also registered at Companies House.

The Directors of the Association who have served during the year are listed below and the current directors up to the date of the signing of these financial statements are listed on page 3.

Principal activities

The principal activity of the Association is to provide social housing. Any financial surpluses are reinvested into improving existing homes, communities and services and developing new homes.

The Group also consists of Anchorwood Limited a development company.

Review of the business

A review of the business is discussed in the Strategic Report and Value for Money Statement on pages 8 to 34.

Results

The Group's surplus after tax for the year is £2,085k (2015: £566k as restated under FRS102).

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.

Constitution and Governance

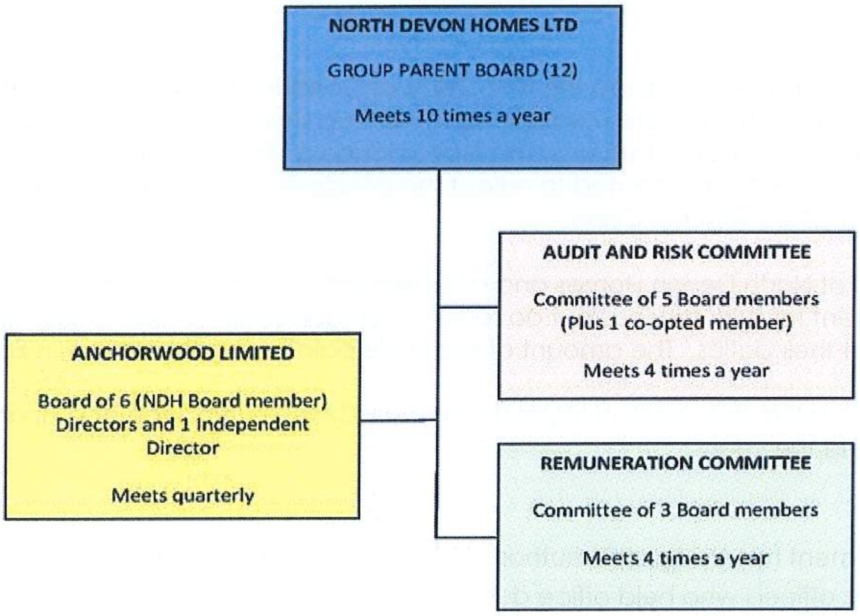
As detailed in the publicly available Memorandum and Articles, the Board of Management comprises three constituencies being three North Devon Council representatives, four Tenant representatives and five Independent Representatives. Members from each constituency make up the main Board of Management. For the year ending 31 March 2016, the following members served on the Board:

Board of Management report for the year ended 31 March 2016 (continued)

Tenant	Independent	North Devon Council
Mrs Dawn Ash	Mr Simon Price	Cllr Mr Brian Moores (appointed 29 June 2015)
Mr Ian Richard Setter		
Mrs Jane Tomlin (resigned 15 April 2015)	Mr Robert Stronge	Cllr Mrs Faye Webber (appointed 29 June 2015)
Mrs Tracey Richmond (resigned 17 April 2015)	Mr Adrian Jeffery	Cllr Mr Jeremy Yabsley (appointed 29 June 2015)
	Ms Sarah Maylor (appointed 25 September 2015)	Cllr Sue Haywood (resigned 7 May 2015)
	Ms Mo Read (resigned 25 September 2015)	Cllr Derrick Spear (resigned 7 May 2015)
	Mr Robert Down (resigned 25 September 2015)	
	Mr Nick Lewis (co optee to Audit & Risk Committee)	

The governance structure for the Group is summarised below:

GROUP STRUCTURE



The Board of North Devon Homes and its subsidiary company Anchorwood Limited are committed to upholding and maintaining the highest standard of governance, accountability and probity in effectively leading and managing the business. The Board continues to work and challenge itself to ensure that it has the necessary skills, experience and where appropriate, the necessary external advice to support it in its decision making and strategic planning.

Board of Management report for the year ended 31 March 2016 (continued)

Compliance Statement

The Board adopted the NHF Code of Governance in 2013. The Board adopted the updated version of the NHF Code of Governance (2015 edition) in January 2015. The Board undertook a review of all of its policies and governance arrangements during the year to ensure compliance to the revised code. The Board also reviewed its own effectiveness and functions to help embed the principles of good governance and assesses itself to be compliant with this code. It has established a continuous improvement plan to enable regular review and embedding of best practice and ensure that its governance arrangements meet the changing needs and requirements of the business and sector it operates within.

The Board of the parent Charity, North Devon Homes Limited, met 10 times during the financial year with an average attendance rate of 84%. The parent Board has an established Audit & Risk Committee to oversee the Groups internal controls environment including the risk management framework. The Board retains overall responsibility and accountability for managing key risks and has established the necessary resources, training and external assurance to support this framework. The Audit & Risk Committee reports on the effectiveness of this framework and ensures that it reflects the changing needs and requirements of the business. The Audit & Risk Committee met four times in the year and co-opted specific additional skills during the period.

The Board's Remuneration Committee oversees matters concerning Employment Contracts, Remuneration and the Organisational Development Strategy. The Remuneration Committee met three times in the year.

In June 2015 the Board established a wholly-owned subsidiary Anchorwood Limited, to oversee the development of market sale homes to help deliver the wider strategic objectives of the Group. The Board of Anchorwood met three times in the year. The Board is predominantly made up of members from the parent board but has appointed an Independent Chair with commercial and risk experience.

The Board of North Devon Homes adopted the NHF Code of Conduct in January 2016. This sets out the guiding principles within which Board members of the Group should operate and supports a strong governance culture across the business. The Governance policies, training and procedures operated by the Board have been updated to reflect the principles of this Code and the Board assesses itself to be compliant with this Code.

Members of the Board of North Devon Homes and all its respective committees and subsidiary do not receive any payment for their services but do receive reimbursement of reasonable expenses incurred in carrying out their duties. The amount of expenses paid during the year was £8,533.

The Group Board can confirm that it has complied with the HCA's Governance and Financial Viability Standard during the year.

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:

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

Board of Management report for the year ended 31 March 2016 (continued)

Financial Risk Management Objectives and Policies

The Association'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 Strategic Report on pages 8 to 34.

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
12 September 2016

Strategic Report

Background

North Devon Homes is a registered provider of social housing which was formed in February 2000 to accept the transfer of 3,281 homes from North Devon Council. At 31 March 2016, the Association owned 3,187(2015: 3,151) 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:

	2016	2015
North Devon Homes' Affordable Housing Stock:		
General Needs		
Social rent	2,261	2,335
Affordable rent	320	223
Intermediate rent	13	10
Older persons Housing		
Social rent	593	583
Total	**3,187**	**3,151**
Shared Ownership	47	25
Market Rented	8	8
Leasehold Properties	95	94
Units managed on behalf of others	24	24
Garages	767	775
Commercial Properties	20	21

Governance and Management

During 2015/16 the NDH 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 Anchorwood Limited Board met three times during the year.

The NDH Board has formally adopted the 2015 National Housing Federation Code of governance "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 are provided within the Board of Management Report on pages 4-7.

Strategic Report (continued)

Regulatory Status

The Association 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.

In January 2015 the HCA carried out the annual stability review and North Devon Homes maintained its Regulatory Rating as at March 2016 of G1 and V1.

Commencing in May 2016 the HCA carried out an in-depth assessment the results of which were published on 31 August 2016. Whilst the Association maintained its V1 viability rating, its governance rating was downgraded to G2; a compliant grading but the HCA identified some aspects of the governance arrangements that needed to improve. The Regulatory Judgement required improvement in two specific areas, which are subject to an action plan which is underway. The full Regulatory Judgement can be found on the HCA's website.

Corporate Priorities and Strategies

The Company's vision, objectives and strategies are established in our 2015-2018, 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 our vision of "*working together to create communities where people want to live*". These are:

1. **Me: Put the customers at the heart of all we do**

2. **My Home: Maintain and build quality affordable homes**

3. **My Neighbourhood: Improve, support and develop our neighbourhoods**

4. **My Landlord: Deliver 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. 2015/16 was the first year of the revised corporate plan and highlights of achievements against the Plan are also included in the Value for Money Section of this Strategic Report.

Performance in the Period

Underpinning the Corporate Objectives, the following specific priorities were delivered in 2015/16:

1. **Update of Organisational Development Strategy.**

   The Association aims to be an employer of choice and recognises that they key to successful delivery of its services lies within its staff. A positive and strong culture based on a set of company values has been adopted and is known as 'team ndh'. The Organisation Development Strategy has been updated to support the further embedding of team ndh within the business.

Strategic Report (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 0.5%. Working with a small number of customers who have moved on to Universal Credit, we have used this experience to better understand the impact these changes have on customers and NDH and developed a Direct Payment pilot scheme which will be tested in 2016/17 .

3. **Pilot a local delivery model in our communities to improve efficiency and customer service.**
Geographical patches have been established to ensure a more co-ordinated approach to service delivery and identify areas for efficiency gains and VfM savings. The work on patches is linked to our Every Visit Matters programme, which incorporates assessment of both housing and asset management issues alongside health and safety referrals. We have developed an assessment model which we are trialling in early 2016/17.

4. **Develop and embed a new Older Persons service offer.**
Following the withdrawal of Supporting People Funding in 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. The new Independent Living strategy has been developed and key stakeholders engaged.

5. **Development Strategy Updated.**
The Development Strategy was updated and approved by the Board in January 2016 to support a modest programme of new build and S106 opportunities. Anchorwood Limited was established to progress the opportunity to develop the Anchorwood Bank site which has the potential to deliver 135 market sales and 37 affordable units.

6. **Providing new ways to help tackle fuel poverty**
We have worked with Advantage South West to set up Energy SW which is a low cost provider of gas and electricity. We secured funding to offer energy advice to customers through Energy 361 as well as providing training to our own staff and customers to provide targeted support.

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.

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.

Performance across the organisation as at 31 March 2016 is summarised on the following page:

Strategic Report (continued)

Here is how we are performing in some of our key areas compared to the same period 2014/15

The background colour tells us if we are on, close to, or some way below target.
The arrow indicates if our performance has improved, decreased or is unchanged since the same time last year.

⇧ performance improved
⇔ performance unchanged
⇩ performance decreased

we are on target
we are close to target
we are some way below target

	PREVIOUS PERFORMANCE	CURRENT PERFORMANCE	TARGET	POSITION
CUSTOMER SATISFACTION				
Satisfaction with overall service provided by NDH*	94%	92%	88%	⇩
Complaints received	51	38	No Target	N/A
Complaints upheld	27	22	No Target	N/A
Compliments received	91	61	No Target	N/A
RESPONSIVE REPAIRS				
Customer satisfaction with the repairs service - overall	96.0%	97.1%	96.0%	⇧
Emergency repairs completed within 24 hours	96.7%	97.5%	99.0%	⇧
Urgent repairs completed within 7 calendar days	96.3%	97.8%	97.3%	⇧
Routine repairs completed within 28 calendar days	93.5%	95.0%	97.0%	⇧
CUSTOMER CARE TEAM				
No. of customer satisfaction survey responses by telephone	842	870	720	⇧
PLANNED MAINTENANCE				
Customer satisfaction with planned improvements - finished job	95.6%	94.5%	96.0%	⇩
GAS SAFETY				
Properties with a gas safety certificate	100%	100%	100%	⇔
ANTISOCIAL BEHAVIOUR				
Number of new antisocial behaviour cases	109	73	No Target	N/A
Number of closed antisocial behaviour cases	117	89	No Target	N/A
HOME OWNERSHIP				
Right to Buy / Right to Acquire Sales	8	9	No Target	N/A
RE-LET PROPERTIES				
Number of properties re-let	223	229	No Target	N/A
Average time to re-let properties (in days)	35.0	45.5	27.7	⇩
Rent loss due to empty properties (as a % of rental due)	0.97%	1.13%	0.60%	⇩
Number of mutual exchanges completed	47	31	No Target	N/A
RENT COLLECTION				
Outstanding rent (current customers)	0.37%	0.50%	1.00%	⇩
Outstanding rent (former customers)	0.41%	0.40%	0.51%	⇧
SUPPORTED PEOPLE / INDEPENDENT LIVING				
Customer satisfaction with support service	N/A	94.7%	95.0%	
CORPORATE HEALTH				
Avg. number of w/days lost due to ***short term*** sickness absence per employee	5.49	5.30	5.50	⇧
Staff turnover (rolling average)	17.7%	20.9%	10.0%	⇩
FINANCE				
Liquidity ratio**	1.28	1.52	0.95	⇧
Interest cover ratio (Lloyds)	134.10%	218.60%	101.40%	⇧
Asset cover ratio (Lloyds)	91.0%	90.4%	100.0%	⇧
Net annual income (AHF)	217%	249%	120%	⇧
Asset cover ratio (AHF)	108.13%	108.13%	107.00%	⇔

** STAR survey question. Previous Performance = STAR 2013 result. Current Performance = STAR 2015 result. Target = Peer Group (Southern Traditional HAs) Upper Quartile Position 2014/15*
***Figure now calculated under FRS102; Previous Performance figure recalculated using this method for comparability.*

Strategic Report (continued)

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

- **Customer Satisfaction**: The STAR customer satisfaction survey was carried out in late 2015. Overall satisfaction with the service provided by NDH is 92%, which is excellent performance and significantly above our peer group median of 82% (*VfM Self-Assessment Data Pack 2015/16, June 2016*).

- **Repairs:** Customer satisfaction with our repairs service remained good throughout the year, and rose to 97%, from 96% in 2014/15. Urgent repairs achieved target for on-time performance, but routine and emergency repairs performance did not. However, whilst on-time results for the whole year fell below target overall (96.2% against a target of 97.4%), they improved throughout the period, and on time response for every category was above target throughout Quarter 4.

- **Rent Collection:** The performance of rent collection for current and former customers continues to be extremely strong in 2015/16. The arrears figures of 0.50% and 0.40% are comfortably below target and sector leading. This performance gives NDH a strong foundation to address the challenges of welfare reform, particularly the introduction of Universal Credit.

- **Gas Safety**: At the end of the year all properties had a valid gas certificate

- **Re-let times:** Re-let times for properties, and consequently void rent loss, increased in 2015/16 and did not achieve target, as the backlog of voids left from the latter part of 2014/15 continued to impact performance in the first part of 2015/16. However, once the backlog of voids from the early part of the year had been cleared, monthly performance improved over the remainder of period.

Risk Management

The Company has a clear framework for managing risk, and during the year work was completed to further strengthen the management of risk, including scoring inherent and residual risk levels, setting in place a process to compare all controls to best practice annually, and defining and agreeing risk appetite and tolerance levels.

The risks are recorded in the Risk Register and are assessed in terms of impact and probability – both in terms of inherent risk (i.e. if all controls failed / worst case scenario) and residual risk (i.e. controls in place and working as expected). Each risk has an underlying plan which includes details of action taken and planned 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 receives 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:

Strategic Report (continued)

Risk	Key controls
Failure to achieve and deliver Value for Money (VfM)	• Budgetary control policy and procedures in place • Corporate Plan for 2015-18 establishes VfM priorities • VFM Strategy for 2015-18 outlines how value will be delivered • Procurement strategy embedded in VfM Strategy • VfM link through strategy, departmental service excellence plans, performance and Board decision making. • Use of benchmarking tools to monitor performance, informing programme of continuous improvement activity
Higher arrears than anticipated as a result of welfare reform	• Close arrears monitoring • Income management service tailored to support customers • Close monitoring of changes to the welfare system and communication with customers • Identification of customers most at risk of higher arrears in order to target interventions towards them • undertaking a direct payment pilot of 100 customers to model outcomes of Universal Credit introduction, and inform resourcing / planning • Promote Direct Debits and basic bank accounts
Poor financial control or business planning threatens financial viability	• Budgetary control through monthly review of management accounts • Annual review of business plan, and the financial assumptions contained within it. • External validation of Business plan • Key controls are reviewed annually as part of internal audit programme. • Regular business plan updates to Boards • Comprehensive stress testing of business plan.
Failure to effectively monitor, anticipate and respond to changes in the economic environment	• Interest rate exposures carefully monitored and Treasury strategy regularly reviewed. • Prudent business plan assumptions made around inflation and interest rates and sensitivity analysis carried out. • Regular review by senior management of external sources of information and attendance at events. • Emerging risks discussed at Strategic Performance Group and Audit & Risk Committee. • Risk being regularly reviewed and updated following Brexit vote outcome – and will continue to be as there is likely to be ongoing uncertainty affecting economic environment.
Failure to effectively monitor and respond to changes in the external political environment	• Key information sources monitored • Key emerging / potential issues and their implications are discussed at Strategic Performance Group • Senior staff engaged with local political networks • Environmental scanning to be aware of potential emerging issues • Risk being regularly reviewed and updated following Brexit vote outcome – and will continue to be as there is likely to be ongoing uncertainty affecting political environment.
Failure of the Board to exercise good governance	• Assurance Framework developed and implemented to ensure Board receives information needed to govern effectively • Board attendance monitored through KPI • Robust recruitment procedure for Board members • Coaching, training and support available to Chair and Vice-Chair • Skills mix of Board reviewed annually and / or when membership changes.

Strategic Report (continued)

Risk	Key controls
Failure to implement and maintain ICT critical applications that meet the needs of the business within agreed resources	• Strategy reviewed and in place to drive IT provision • Resources in place to deliver IT strategy • Internal audit reviews provision • Project management in place for critical IT related changes.
Failure of Anchorwood Bank development	• Webbers engaged to inform the development of homes for sale, sales strategy, and pricing • Mitigation in place to address potential failure of contractor / JV partner • Exit stages mapped out to ensure Board have choices throughout the development regarding building it out or not • Contracts in place to set out responsibilities of contractors / partners and to mitigate against cost increases • Controls in place to ensure VfM • Controls in place to ensure Health and Safety on site • The assumptions are being continually reviewed following Brexit vote result to ensure plan is realistic in post-Brexit environment (e.g. potential for falling house prices, economic downturn, rising costs of borrowing and materials etc.)

Failure to deliver to achieve and deliver value for money is a key risk and the Group's VfM statement below outlines the key achievements for the year and plans for the future.

Strategic Report (continued)

Value for Money Statement

a) 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 which are accountable to our customers across the community.

During the year, through engagement events with staff, Board and customer groups we reviewed our 2012-15 Corporate Plan achievements and set our new Corporate Plan for 2015-18. Delivering Value for Money continues to be one of the four main strategic objectives in the new plan. To enable us to deliver this objective we have set milestones within the plan which continue our focus on providing our customers with high quality services that meet customer need whilst operating within the constraints of our financial plan.

Prior to the Government's July 2015 budget in which the 1% rent reduction policy was introduced, the Board's strategy was to deliver first class service standards and accepted that in order to achieved this it would not always be possible to achieve the lowest costs. Following the July budget and subsequent business plan revisions, the Board agreed that there was a business need to reduce costs and as a consequence it may not be possible to deliver services into the future at the previous levels of quality. The Board agreed a number of areas of cost reduction whilst bearing in mind the impact on services to customers.

Despite financial constraints, the Company is committed to being an independent registered provider and believes that North Devon Homes is in the best position to offer the best services to its customers and communities in North Devon.

North Devon Homes converted to charitable status from 1 April 2015 and in June 2015 established its wholly owned subsidiary company, Anchorwood Limited, to undertake commercial activity on behalf of the parent company. Over the coming year we will be exploring further opportunities that arise as a result of our charitable status and will continue to develop the Anchorwood Bank scheme through Anchorwood Limited.

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. During the year we have focussed on staff engagement particularly with Line Managers to identify key areas of opportunity for VfM gains and to agree specific projects that will be progressed during 2016/17. In May 2016 we launched our Bright Ideas staff suggestion scheme to ensure that VfM ideas are captured throughout the company.

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 our progress against the key objectives we set ourselves last year and objectives we are taking forward into the newyear.

Strategic Report (continued)

b) <u>Return on assets</u>

We have a comprehensive approach to asset management, driven by the Board. One of our four key Corporate Plan objectives is **My Home: Maintain and build quality, affordable homes**. The ongoing investment, maintenance and improvement of our homes has remained a key focus for us in our 2015-18 Corporate Plan.

Our Asset Management Strategy is a key document for us and was reviewed and updated during 2014-15 to support the preparation of our 2015-18 Corporate Plan. The strategy is driving our Asset Management work and was the subject to a structured review at the end of its first year of implementation in March 2016. 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 through an ongoing cycle. We have systematically updated our knowledge and expertise in our stock condition database system to support us in using this data to good effect.

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 and large scale regeneration of these homes and surrounding estates over the past 6 year period. This investment has been funded through the business plan being supplemented with HCA grant where additional units have been able to be provided, and also through income from market sales.

During the year 2015/16 we have been working on the remaining phases of the PRC investment strategy with the handover completions of 35 rented and 17 shared ownership units during the year, with a remaining 2 units to be completed in 2016/17.

Key achievements during the year have seen the completion of significant changes to the Forches Estate having invested in estate layout changes with the introduction of new park areas: completion of our first joint venture partnership at Pill Gardens, Braunton: and the completion of existing investment plans for Woodville, Sticklepath.

In addition to the property additions arising from the completion of the PRC schemes, 10 Section 106 purchases completed in the year, delivering a total of 62 new homes during the year.

All new homes have been constructed to at least level 3 of the Code for Sustainable Homes (CSH) which is above the minimum standard previously set by the HCA and the planning process. Customers who move into these new homes benefit significantly from the enhanced insulation value of our new homes providing them with a significant annual benefit from the reduction in cost of running their home. In addition to CSH we have constructed homes to meet the renewable target of the local authority which has seen the introduction of photovoltaic panels and rain water harvesting installations where appropriate.

Strategic Report (continued)

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 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 £282k per annum. In addition to the development of new housing we will also be reviewing the opportunity of acquiring existing stock from other RP's who are considering the future of their housing stock in the local area. If we are able to acquire additional units that align to our existing sites, then this will provide us with the opportunity of making greater cost effective use of existing resources.

The major project that Anchorwood Ltd (the trading subsidiary) is undertaking is the development of the Anchorwood Bank site, a key brownfield site in central Barnstaple which is a mix of commercial and residential development. The site is being developed in partnership with Anchorwood Developments Limited with an initial investment by Anchorwood Limited of £4.1m. It is the intention to develop the residential part of the site under a joint venture agreement with a local contractor to deliver 135 market sale homes and 37 affordable homes by 2020. The profits arising from the market sale activity will be used to fund other future development schemes.

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 2015/16 to develop our sustainability modelling framework which supports active stock appraisal and informs asset management investment decisions. This has enabled us to continue 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 3 properties have been identified for disposal and this has been agreed by the Board, with many others being identified and reviewed prior to any significant investment decisions. More properties are likely to be identified for disposal in2016/17.

During 2015/16 we refined the model, updating it with the further information, and focussing on the lowest performing 10% of assets. This has enabled us to gain a better understanding of the financial and social return of the homes we own and we have identified and reviewed the properties that are performing most poorly on asset management and neighbourhood criteria. This work will continue to inform investment and disposal decisions and be used to structure strategic debate around these issues.

Strategic Report (continued)

The assets and liabilities register was completed during the year and will continue to be regularly updated. The detailed information contained in the register helps to inform our decisions regarding assets that are reviewed as part of the sustainability modelling work.

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.

We have recently presented an update to Board in April 2016 setting out the actions that have been completed, progress with those underway and outlining our plans for those that have not yet started.

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.

Over the past year we have retendered a number of contracts and secured arrangements the represent good value for money. This has been achieved through a variety of strategies such as joining frameworks already set up, working with our procurement partner Advantage South West to establish our own frameworks and / or progressing through our NDH tendering processes.

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.

c) <u>Costs of delivering services</u>

In previous Value for Money statements, we have calculated an operating cost per unit figure to show current performance, and changes to previous years. However, in June 2016, the Homes and Communities Agency (HCA) used 2014/15 Global Accounts data from statutory returns to calculate a Headline Social Housing Cost per Unit for every Registered Provider – this provided us with our own cost per unit compared to the rest of the sector. The HCA consider this the most useful general purpose definition of costs with which to compare cost performance across the sector. Therefore, we have used this metric to show cost per unit, and in order to give an indication of trend, we have applied the methodology used by the HCA to 13/14 and 12/13 data in order to show costs for previous years. In addition, we have included information on debt and interest costs per unit, as well as providing social

Strategic Report (continued)

housing unit numbers for reference – as this will impact on the cost per unit. The table is included below[1].

Per Unit Cost Analysis	2014/2015			2013/2014		2012/2013
	Cost per Unit	Quartile	Change from previous year	Cost per Unit	Change from previous year	Cost per Unit
Headline social housing cost per unit	**£3,282**	*Middle Upper*	3.39%	**£3,174**	9.19%	**£2,907**
Management	*£526*	*Upper*	6.04%	*£496*	7.78%	*£460*
Service charges	*£156*	*Middle Lower*	-1.73%	*£158*	-8.09%	*£172*
Maintenance	*£1,082*	*Lower*	-16.86%	*£1,301*	-1.18%	*£1,317*
Major repairs	*£1,135*	*Middle Lower*	18.18%	*£960*	22.89%	*£781*
Other social housing costs	*£384*	*Middle Upper*	48.46%	*£259*	46.44%	*£177*
Debt measures per unit						
Debt	£29,244		22.65%	£23,843	2.95%	£23,159
Interest costs	£834		3.99%	£802	-1.47%	£814
No of Social Housing Units	**3,200**		87	**3,113**	8	**3,105**

Overall the data shows that NDH provide good VfM overall; our cost per unit is £268 lower than the median of £3,550 and places us in the middle upper quartile of the sector for unit costs. These low costs have been achieved whilst delivering quality services – see 'Performance against cost' summary below (p23). The headline figure is derived from five cost areas:

- **Management costs**, which despite small increases over the last two years compare well to the rest of the sector, and are upper quartile.
- **Service Charge costs,** which are higher than the median costs for the sector, but have steadily fallen over the last two years
- **Maintenance costs**, the poorest performing area for NDH, which fall just in the lower quartile – with the same cost per property as the lower quartile boundary. However, the cost fell 17% (£219 per unit) from the previous year as we put in place measures to operate more efficiently
- **Major repair costs,** which is lower middle quartile compared to the sector, and has increased over the past two years as we have invested significantly in improving our stock. Whilst this cost is higher than the median for the sector, the improvements have delivered significant benefits for tenants, and have reduced the maintenance liability going forward. We would expect costs to reduce as the programme of significant investment has been completed.
- **Other Social Housing Costs,** where NDH has lower than median costs compared to the sector, demonstrates good performance, but has risen over the past two years. The reasons for the increase have been abortive costs in 2014 and 2015 (£234k and £147K), and a significant one-off pension payment in 14/15 (£470k).

Overall, the analysis by the HCA shows that unit costs for social housing are good; the areas to focus on in future to drive further improvement are maintenance costs and major repair costs.

[1] Please note that the HCA quartiles are described in the opposite way in their reports; lower quartile describes the best performance, and upper quartile the worst. Descriptions here are reversed to fit with the Housemark analysis below.

Strategic Report (continued)

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. A key way to ensure that VfM is being delivered is to compare the Company's performance to the performance of similar organisations. To enable this, the Company is member of HouseMark, who provide us a detailed breakdown of costs and quality measures against a peer group of similar organisations.

The peer group we compare ourselves against is Southern Traditional Housing Associations, which comprises 41 Associations. No stock size filters are applied, and the group has a median stock size of 3,300 properties, with the largest member having 21,809. North Devon Homes' stock size at the time of benchmarking was 3,165 properties.

During 2016/17 the Peer Group is being reviewed to ensure that it provides the most appropriate comparator for the Board and customers to use to judge our performance.

Previously 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 following the July budget announcements and subsequent revisions to the financial business plan, it may not be possible maintain upper quartile services in terms of satisfaction into the future due to the tension between cost reduction and service standards.

The core information in the benchmarking section is derived from the HouseMark benchmarking report and associated data files, published in December 2015, covering 2014/15 performance. This is compared to 2013/14 performance as stated in the previous year's VfM statement to demonstrate how performance has changed. The section outlines the Company's performance in 2014/15, covering:

- total cost per property
- overheads
- performance against cost for key business areas.

Strategic Report (continued)

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 2014/15			Change in quartile against peer group 13/14 to 14/15	NDH 2013/14	
	Actual	Quartile	Achieving target?		Actual	Quartile
Total Operating Cost	£4,711.76	Middle upper	No	↓	£4,241.08	Upper
Employee Costs	£1,124.15	Upper	Yes	↔	£1,136.38	Upper
Direct Staff	£814.27	*Upper*	Yes	↑	£826.61	*Middle Upper*
Overhead Staff	£309.87	*Upper*	Yes	↔	£309.77	*Upper*
Non-Pay Costs	£1,552.24	Upper	Yes	↔	£1,738.04	Upper
Direct Non-Pay	£1,168.22	*Upper*	Yes	↔	£1,376.96	*Upper*
Overhead Non-Pay	£384.02	*Upper*	Yes	↔	£361.08	*Upper*
Reconciling items	£6,441,953.00				£4,181,876.00	

Source: HouseMark benchmarking reports 2014/15 and 2013/14

North Devon Homes' total operating costs have increased by £471 per property, from £4,241 in 2013/14 to £4,712 in 2014/15. By contrast, the median operating cost for the peer group has decreased by £128. Consequently, we have seen North Devon Homes' performance shift from upper quartile to middle upper quartile in this area; or in terms of rankings, from 7th to 12th position in the peer group (out of 41).

Total operating costs comprise employee costs, non-pay costs, and reconciling items. The increase in total operating cost per property corresponds with an increase in reconciling items, which include one-off exceptional items that occurred during the year.

North Devon Homes' employee costs and non-pay costs are both 'comparatively' low; achieving upper quartile performance, and 10th and 3rd position in the rankings respectively. It should be noted, that cost per property is impacted by fluctuating stock levels; as more new build properties are added to the portfolio, per property costs are expected to decrease. In 2014/15, North Devon Homes had 105 more properties than in the previous year, and per property costs fell for both employee and non-pay costs, by £12 and £186 respectively.

The £12 per unit decrease in employee costs noted above is attributable wholly to direct staff costs (not overhead staff costs, which are unchanged). By contrast, the peer group median has seen a net increase of £74 in this area. Consequently, we have seen North Devon Homes' performance shift from middle upper quartile in 2013/14 to firmly within the upper quartile threshold in 2014/15.

Strategic Report (continued)

Overheads

In the previous VfM statement, we highlighted overhead costs as an area where improvement was needed, 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 KPI	North Devon Homes (2014/2015)			Change in quartile against peer group 13/14 to 14/15	North Devon Homes (2013/2014)	
	Result (%)	Quartile	Achieving target?		Result (%)	Quartile
IT and communications as % adjusted turnover	2.80	middle lower	No	↔	2.91	Middle Lower
Office premises as % adjusted turnover	1.84	middle lower	No	↓	1.94	Median
Finance as % adjusted turnover	1.95	middle upper	No	↓	1.74	Upper
Central and other as % adjusted turnover	7.08	lower	No	↔	6.57	lower
Total Overhead as % adjusted turnover	13.67	middle lower	No	↔	13.16	middle lower

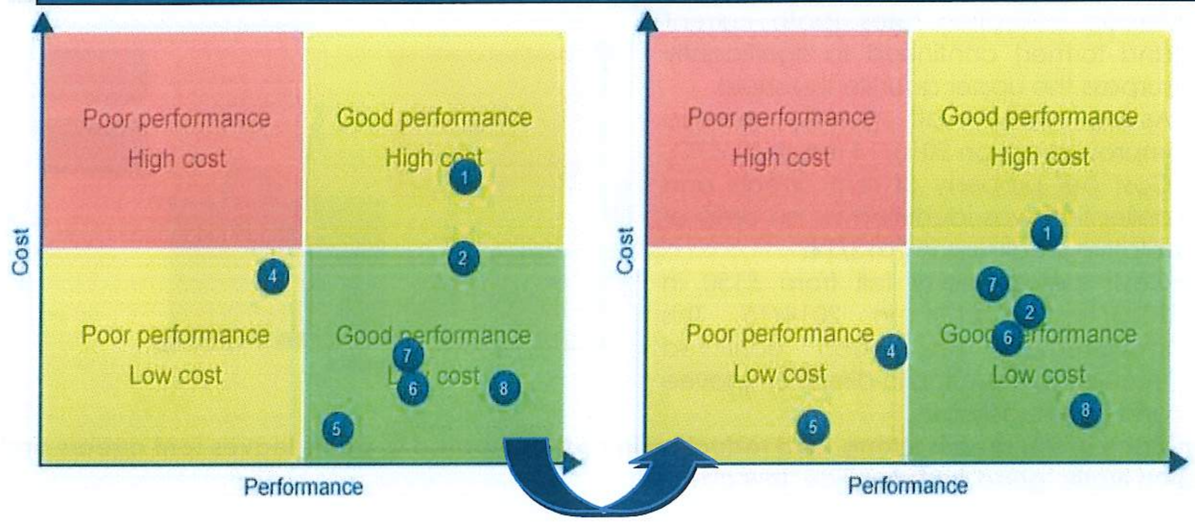
Source: HouseMark benchmarking reports 2014/15 and 2013/14

We have seen *absolute* improvements in relation to IT and office costs as a percentage of adjusted turnover. However, overall, performance has worsened slightly – and most notably in relation to central overheads. We remain middle lower quartile overall. These higher proportionate central costs are in part attributable to one-off governance costs relating to charity conversion, however, central overheads will remain an area of focus going forward, to ensure that costs are reduced where possible.

Key Business Areas: Performance against Cost

The cost vs. performance matrix summarises cost and quality information for 2014/15, showing 2013/14 performance where comparable data is available to indicate direction of travel.

Strategic Report (continued)



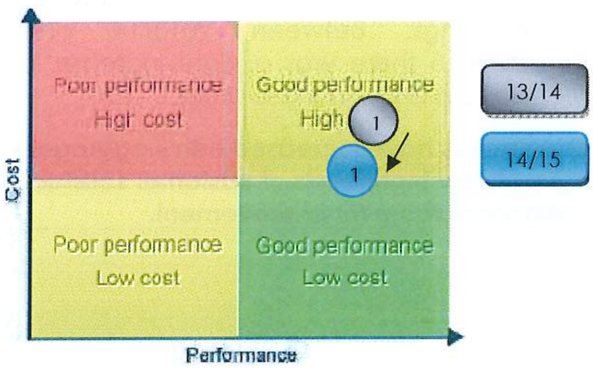
1. **Responsive repairs and void works**
2. **Rent arrears and collection**
3. **Anti-social behaviour**
4. **Major works and cyclical maintenance**
5. **Lettings**
6. **Tenancy Management**
7. **Resident involvement**
8. **Estate services**

Source: HouseMark benchmarking reports 2014/15 and 2013/14

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

1. Responsive repairs and void works

- As in 2013/14, performance outputs in this area are strong.
- Cost was identified as an area of relative weakness in 2013/14. In 2014/15, the cost fell by £62 (6.8%) per property, due to reduced direct non-pay costs.
- Direct employee and overhead costs remain lower quartile; however, it should be noted that organisations with a DLO usually have higher relative employee costs, and lower relative non-pay costs.

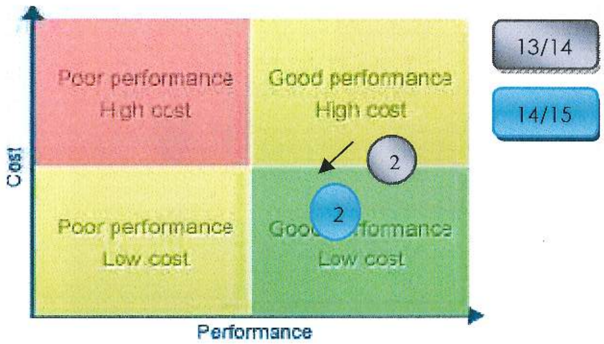


Whilst the downward trend is positive, costs remain middle lower quartile, and there are further reductions needed to achieve the desired level of cost.

Strategic Report (continued)

2. Rent arrears and collection

- Arrears collection rates (both current and former) continued to significantly surpass the upper quartile threshold
- Arrears written off (0.17%) showed improvement on 2013/14 results (0.20%)
- Cost per property of rent arrears and collection was identified as an area of relative weakness in 2013/14.
- Costs per property fell from £150 in 2013/14 to £134 in 2014/15. This improvement has been achieved through a reduction in direct employee and overhead costs.



Performance in this area is strong, and reduction in cost compared to peers leaves rent arrears and collection firmly 'good performance, low cost'.

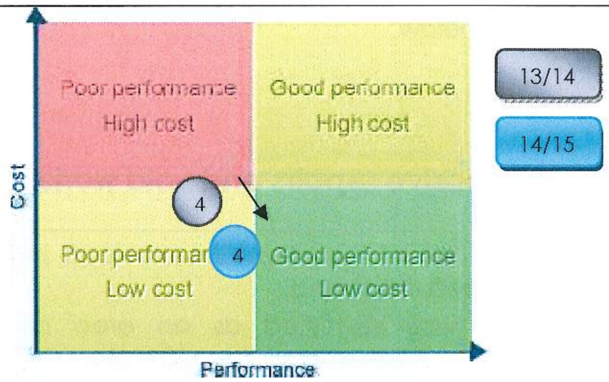
3. Anti-social behaviour

- Anti-social behaviour does not feature on the matrix due to incomplete customer satisfaction data, which is rarely forthcoming following case closure.
- The cost of delivering the anti-social behaviour service in 2014/15 sat comfortably within the upper quartile threshold at £51 per property against £58.

During 2016/17, we will be considering our approach to customer feedback in this area.

4. Major works and cyclical maintenance

- Total cost per property fell from £1,160 to £953, and sees performance shift from middle upper to upper quartile.
- This is due to a reduction in both direct employee and direct non-pay costs
- In 2013/14, a weakness was achievement of Decent Homes Standard and energy efficiency of dwellings. Between 2013/14 and 2014/15 there was a slight increase in performance in these areas.

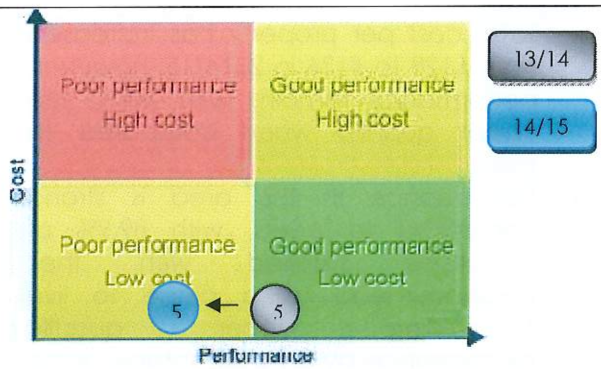


Improvements have increased ndh's aggregate performance score, which is buoyed up by comparatively high levels of customer satisfaction, and sees ndh's position on the matrix improved, but with more room for improvement.

Strategic Report (continued)

5. Lettings

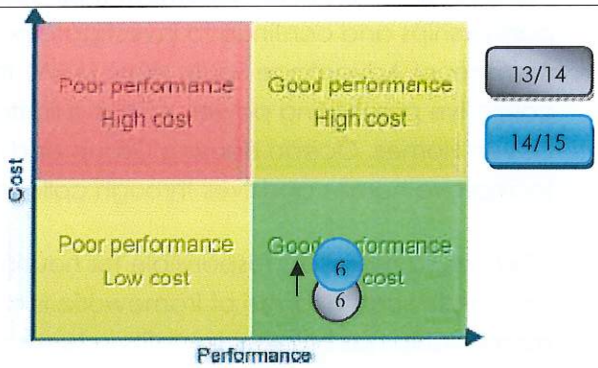
- Cost per property of lettings activity remains low compared to peer group due to direct employee and overhead cost per property, which are both less than half the upper quartile level.
- The volume of vacant available to let properties is upper quartile; by contrast, the volume of vacant, but unavailable to let properties is lower quartile.
- Between 2013/14 and 2014/15, average re-let time in days increased from 24.30 to 31.65. Correspondingly, we see void rent loss increase.



Lettings performance was an area of relative weakness based on 2013/14 data, and remains so based on 2014/15 data. This is an area where significant activity has been underway throughout 2015/16 to improve performance, as evidenced in performance reports.

6. Tenancy management

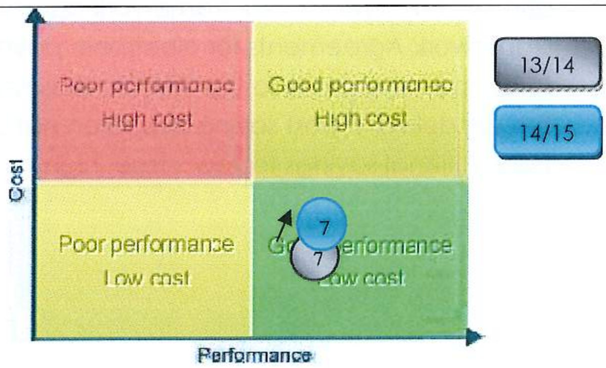
- Cost per property increased from £96 to £123; costs increased across all areas, with direct non-pay costs showing the most significant increase
- Tenancy turnover increased from 7.5% to 8.5%; this increase played a part in the declining Lettings performance, and is lower quartile.
- Since 2012/13, we have seen a year on year increase in evictions, but even with this upward trend, performance significantly exceeds upper quartile



Tenancy management remains firmly within the 'good performance, low cost' section, despite the increase in costs.

7. Resident involvement

- Costs have increased across all areas; however the biggest driver behind this shift is overheads, which increased from £18 to £26 per property
- There are two performance outputs: percentage of customers satisfied that views are being taken into account, and percentage of diversity information held about customers. The former secures ndh's position within the 'good performance' section of the matrix, achieving upper quartile results; however, the latter sees ndh falling short of lower quartile performance



Whilst this area shows good performance at low cost, the amount and quality of diversity information held on tenants lags that of peers, and improving this would contribute towards delivery of VfM by increasing understanding of our different tenant groups.

Strategic Report (continued)

8. Estate Services

- Total cost per property has increased from £128 to £136 in 2014/15; however, performance remains well within the upper quartile when compared to peers.
- Performance in this area is strong compared to peers, with 89.9% of customers satisfied with their neighbourhood as a place to live (exceeding upper quartile performance by 3.1 percentage points and placing ndh 5th in the peer group).

Estate Services remains firmly 'good performance, low cost' compared to peers.

d) 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.

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.

NDH also utilises the Procurement for Housing (PfH) consortium which has over has over 850 members nationally. NDH currently use Office Depot, AKW Medicare, Crown Paints, and also Greenhams via their framework agreement to get best value. NDH is moving to PfH Framework Agreements for electronic payment services and plumbing supplies in the near term and have plans to transfer the majority of response repair materials to the frameworks. This will deliver a cost saving based on nationally negotiated terms, but also considerable transactional savings for low value, high volume purchases.

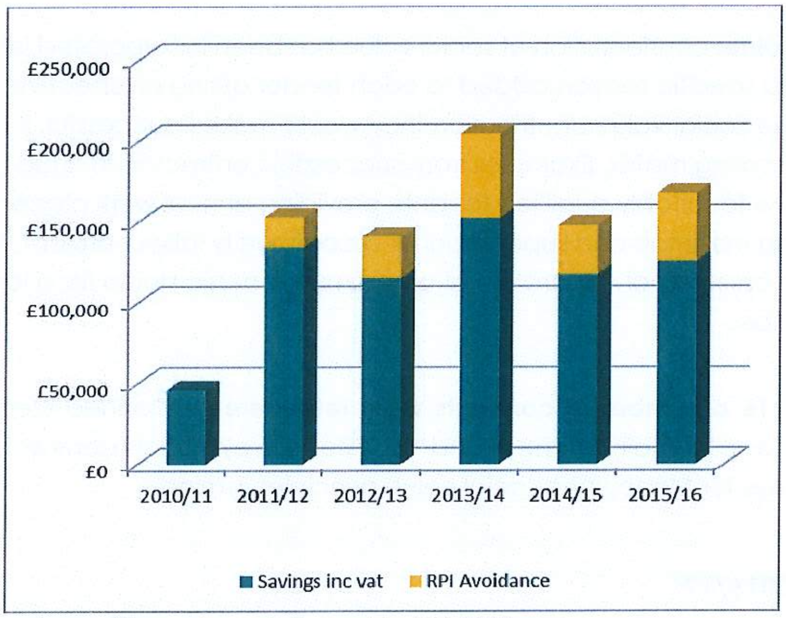
Strategic Report (continued)

Outcomes in 2015/16

The information below outlines the savings NDH has gained as a result of membership of ASW. The table details the cashable savings (inc unrecoverable VAT) that have been generated for North Devon Homes and additional costs avoided due to framework price changes being lower than RPI.

Component	Expenditure	Total saving	RPI saving
Aids & Adaptations	£594	£390	£126
Bathroooms	£7,902	£7,908	£966
Boilers	£57,078	£18,025	£6,771
Consumer Units	£14,201	£2,506	£961
Controls	£1,324	£374	£140
Electric Heating	£5,299	£524	£419
Fans	£19,134	£4,784	£3,440
Flooring	£14,421	£4,554	£1,578
Kitchens	£34,894	£22,544	£7,231
Radiators	£5,046	£6,280	£1,629
Taps	£3,702	£6,948	£459
Doors	£60,295	£10,640	£5,163
Paint	£22,196	£0	£1,616
Alarms	£6,598	£0	£480
Legal services	£144,102	£48,034	£13,985
Total	**£396,786**	**£133,511**	**£44,964**

The graph below shows North Devon Homes' savings for the last 5 years from its membership of Advantage SW.



Some examples of specific savings delivered in 2015/16 are:

- NDH ran a mini competition based on the ASW Framework for asbestos surveys and a contract was awarded to Gully Howard. This contract has realised annualised savings of £100,000 and also an 80% reduction in number of invoices to be processed each year.

Strategic Report (continued)

- ASW has also launched EnergySW in 2015/16 to help customers reduce their direct energy costs. OVO has partnered with ASW to provide energy to their customers and bring the necessary operational experience to allow EnergySW to offer one of the cheapest tariffs in the market. Residents get access to one of the cheapest tariffs on the market. ASW is not making any profit on the tariff to make sure customers get the best value possible. The money saved from the tariff can be re-invested in the local community.

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

- **E-tendering:** NDH are utilising 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. E-tendering is now used for all tenderswith a value over £25,000. The system also has a quick quote option which will be rolled out for lower value contracts to support compliance with the tendering standing orders.

- **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 arenow included in tenders. These address the following areas:
  - Quality of product and service
  - Communication of best practice
  - 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. We are currently working on external decoration of a community music studio for a local charity in Ilfracombe.

- **In 2015/16 a number of contracts were retendered** - planned electrical works, kitchen installations, lift maintenance, and asbestos surveys. Each contract has been tendered with Value for Money and social value principles in mind.

Actions for 2016/17

NDH will continue to look to deliver further savings through its procurement activities. We will continue to utilise framework agreements offering the best value for money during the coming year due to the significant cost savings that can be obtained. As well as this, in 2016/17 we will:

Strategic Report (continued)

- 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)
- renegotiate payment and terms and look to consolidate terms to reduce the transactional cost of doing business with our suppliers.

e) Social return

The value that North Devon Homes provides to its customers is not limited to cost and quality measures – 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.

Staff are also supported to engage with community schools 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", and our Community Development Manager and Youth Workers are supporting the Ilfracombe works project team.

Older Persons Service

Following the cessation of Supporting People grant funding from April 2015, the Board approved a strategy to retain 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 business plan contribution of £154k.

These strategic objectives were successfully delivered and the service retained.

In March 2016 a new strategy and business plan was submitted to the Board looking at the three year period 2016/19. The strategy shows a reducing contribution in each year from NDH Business Plan, reducing to £97k in 2016/17 and a further 12% reduction in 2017/18 and 2018/19.

The Board will be updated twice a year with progress of how the service is developing, its cost and value.

Strategic Report (continued)

Young People's Service

2014/15 was the final year of our three year Lottery Funded Young People's initiative, but due to the success of the project and the significant positive impact that the project has had in North Devon, the Association was successful in obtaining a further three years of funding from April 2016 to 2018 from the Big Lottery to enable us to continue with the Young People's project. Key elements of the project include:

- The University of St Mark and St John have worked alongside our youth team delivering the Participatory Evaluation Framework which measures the longitudinal change and impact of the project. To date 44 individual studies have been collated to support this process; our Investment Manager from the Big Lottery stated that "unlike 'case studies' this evaluation process adds a real flavour and detail on what you (NDH) are doing and is perhaps something we (the Lottery) should be looking to encourage in other projects". As part of this work NDH acted to inform delegates from Finland, Estonia, Italy and France as part of a Pan-European study on Youth Work and its value in communities.

- The NHS has developed an innovative model which enables disadvantaged young people to achieve a GCSE in Health outside of a formal classroom setting and also become Health Champions within their communities. In year one of this project 9 young people have completed the course. NHS England view this project as innovative, "pushing the boundaries" in making health more accessible to these communities.

- VfM from this project extends beyond the savings to NDH in reducing ASB into external agencies for example; our direct intervention work to avoid Young People becoming heavily involved in local drug misuse and dealing, which in one instance would have resulted in acustodial sentence had this diversionary initiative not be available; "the average cost of a Young Person in custody is estimated at £100k per annum" (source: Local Government Association: Youth Offending Team reductions could increase number of children in custody published Oct 2015).

f) <u>Customer Scrutiny</u>

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.

The NDH Scrutiny panel has established robust procedures to scrutinise service delivery which has led to the development of an impact assessment model which is based upon the NEF model. This tracks what the panel do and allows for challenge and further scrutiny where services are required to demonstrate how they have adopted customers views and/or recommendations. In 2015/16, the Panel has examined:

Strategic Report (continued)

a) **Recharges** - In summary the report found arrangements at North Devon Homes to be effective and generally in tune with customer wishes but saw some value from a customer perspective in: continuing to use photographic evidence of rechargeable works as is demonstrated in the Voids Service; Starting to undertake a full review of recharges with a view to one member of staff taking ownership of the service; starting having a menu of fixed charges for rechargeable works; starting returning paid recharges back into the service budgets that incur the cost; and, stopping raising recharge invoices where repayment is highly unlikely to occur. The report has been considered by managers in the Customer Care Team, Asset management, Income, Neighbourhoods and the Housing Manager with an action plan developed.

b) **Responsive Repairs** – the review tracked the "journey of a job ticket". In summary the report found arrangements at North Devon Homes to be effective and generally in tune with customer wishes but saw some value from a customer perspective in: Continuing to monitor and develop customer satisfaction returns from customers to help achieve "right first time" standards; start looking at ways to simplify the extraction of data from ROCC repairs system; start more regular mystery shopping of customers who have had repairs undertaken in their homes by perhaps having a "bank" of mystery shoppers who may not necessarily be Customer Forum members; and, stop sending operatives back to the reoccurring repeat repairs where the source of the problem is not being investigated or tackled. The report has been considered by managers, and the Asset management Team has an action plan developed to address the issues raised.

g) Key objectives summary

In last year's VfM statement, we included a list of key objectives to action during 2015/16. 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.

- **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
  - *Work has been ongoing to develop a set of critical numbers. This is not yet complete, but they will be rolled out for use with Management Accounts and KPIs during 2016/17 to drive performance.*

- 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.

Strategic Report (continued)

> *As explained above, performance has improved in relation to responsive repair/void costs, energy efficiency, and cost of rent arrears/collection. Further savings are needed in relation to repair/ void costs, and re-let times/void performance has worsened; these two areas remain areas for focus in 16/17.*

- 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.

> *As explained above, one-off charity conversion costs have increased cost in this area. This will be an area of focus for cost reduction in the coming year. Targets have been set as part of the 2016/17 budgeting round.*

- Agree **clear and measurable VfM priorities** for the next three years linked to the new Corporate Plan for 2015-18

> *Clear priorities and cost reduction measures have been agreed by the Board to ensure that the company not only remains financially stable during the rent reduction period but has a clear focus on driving VfM through strategic and operational activities.*

- Deliver a **VfM Strategy** revised and linked to Corporate Plan delivery

> *The revised VfM strategy linked to Corporate Plan was agreed by the Board in April 2016.*

- Deliver an **Assets & Liabilities register** by September 2015

> *Completed in January 2016*

- Continue to **review outputs of stock appraisal** model – focusing on the lowest performing 10% of assets

> *This work has continued, and decisions are ongoing regarding lowest performing 10%. Within the year, the Board has agreed to dispose of some of these properties to reduce our ongoing liability.*

- 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

> *Four projects were selected to drive VfM improvements, and are underway. These relate to preparation for welfare reform, the voids and lettings process, service charges, and a CRM system.*

- Carry out **service area reviews** as part of continuous improvement plan, to identify and deliver VfM improvements.

> *The key area reviewed has been voids and lettings; revised processes are in place and being refined to deliver improvements.*

- **Review the Supporting People and youth services** to ensure maximum VfM and social value is being delivered to the beneficiaries.

> *As described above, the Supporting People service has been reviewed and a new Strategy is in place. The Young People's work is subject to ongoing evaluation from the University of St Mark and St John.*

Strategic Report (continued)

- 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
  - ➢ *As part of the revisions to the October business plan following the rent reduction announcement the Board agreed that it was no longer able to continue with the pilot scheme.*
- 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.
  - ➢ *Procurement Strategy has been reviewed and incorporated into the VfM Strategy, as it is a key component of delivering VfM.*
- 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.
  - ➢ *Work has been ongoing to determine actions, and a strategy is now in place to achieve 100% properties of Band D or above within 2 years (by March 2018).*

Objectives for 2016/17

The key objectives for 2016/17 are outlined below:

- **Reduce Central overhead costs** – These will be analysed in detail, with cost drivers identified. Cost reduction targets will then be set for specific areas and delivered.
- **Reduce Responsive repairs and void works costs** – The total cost per property of responsive repairs and void works will be investigated, and reduced where possible.
- **Improve Energy efficiency performance** –The energy efficiency performance of properties will be increased to ensure that all properties are rated band D or above by end March 2018 (i.e. SAP rating of 54 or greater).
- **Improve Lettings performance** - Void turnaround times will be decreased during the coming year (2016/17), which will simultaneously reduce void rent loss. A project is underway to review and improve the process from termination of tenancy through to re-letting the property
- **Develop and implement Critical Numbers to drive performance improvement** – Critical Numbers are financial and performance metrics, updated monthly, that allow teams to understand their performance and identify steps to improve it. Critical Numbers will be rolled out for use with Management Accounts and KPIs during 2016/17 to drive performance, and will be underpinned by guidance for their use.

Strategic Report (continued)

- **Complete Housing Hub software implementation to deliver VfM in respect of income collection** – The new software will provide additional information on our properties and tenants to allow us to target interventions to tenants most likely to have an increase in arrears, prioritise the work of Neighbourhoods / Income teams where it will have most impact, and reduce fraud. It will support us in continuing to keep arrears low during the implementation of Universal Credit and other welfare reform.
- **Complete implementation of new Service Charges software to improve recovery rates** – Implementation of Ensemble will deliver VfM by replacing the current manual and time-consuming process for calculating service charges, and will drive increased service charge collection.
- **Continue to deliver the clear and measurable VfM priorities agreed to sit alongside the Corporate Plan for 2015-18 –** These will be reported to Board regularly as part of performance and financial reporting, as appropriate.

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

Operating and Financial Review

Financial Review

Income from lettings increased in the year by 6.7% (2015: 4.9%) from £13.708m in 2015 to £14.625m in 2016, due to an increase in stock numbers 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 £0.265m to £1.036m in 2016 (2015: £771k) which was due to an increase in shared ownership and an increase of £335k within non social housing activity.

The operating surplus for the year was £5.349m (2015: £3.522m), an increase of £1.83m from the previous year. This was attributable to decreased spending on major repairs and routine maintenance costs. During the year £2.444m (2015: £2.639m) of major repairs expenditure was written off to the Income and Expenditure Account and in addition £1.659m of works were capitalised (2015: £0.992m).

The Company's surplus after tax and actuarial gain for the year was £2.516m (2015: £43k deficit). 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 (fully drawn in March 2015) and £8m with 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.

The first repayment due under the Lloyds facility of £782,800 was made in March 2016.

At 31 March 2016 the debt profile was as follows:

	2016	2015
Loan Facility		
Fixed Rate Loans	£59,300,000	£59,300,000
Variable Rate Loans	£32,917,200	£33,700,000
Total Loans	**£92,217,200**	**£93,000,000**
% unhedged	36%	36%
Average cost of funds	3.29%	3.41%
Total Facility	£92,217,200	£93,000,000

The average maturity of net debt, including these facilities was over five years (see note 15). Treasury operations are managed by the Finance Director within parameters set down by the Board of Management through its Treasury Management Strategy. This activity is regularly reported to and monitored by the Board. External advice is sought in relation to policy, strategy and training in this area.

Cash Flows

Cash inflows and outflows for the period under review are contained in the Statement of Cash Flows on page 44. 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 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
The most recent valuation was concluded by Bruton Knowles in June 2015 based on March 2015 data. 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 was £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 Strategic Report has been prepared in accordance with the principles set out in the SORP 2014.

By order of the Board

Simon Price
Chairman of the Board
12 September 2016

Statement of the Board of Management's Responsibilities

The Board of Management is responsible for preparing the Board of Management Report, 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 2015. 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
12 September 2016

Report of the Board on Internal Control

The Board acknowledges that it has overall responsibility for establishing and maintaining the internal control systems and for reviewing their effectiveness. This responsibility applies to all organisations within the Group. The systems in place focus on

- the significant risks that threaten the Group'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.

During the year the assurance framework was revised to better align the assurance monitoring process from Board through to operational level and to clearly set out the reporting framework.

The process for identifying, evaluating and managing the risks faced by the North Devon Homes 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 framework was expanded following the formation of the trading subsidiary in June 2015. The Audit and Risk Committee receives a report on the key risks 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, the risk management framework and further develop its risk appetite. Risk is incorporated into the 4-6 weekly 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 Group'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 delivery of key Corporate Plan projects. 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 many changes that the sector has faced.

The Group produces a three year Corporate Plan and 30 year financial business plan which is updated on at least an annual basis and which is supported by detailed financial budgets and forecasts. This plan identifies the threats and opportunities in the environment which may prevent the achievement of objectives and sensitivity and 'perfect storm' analysis is carried out to model different scenarios and develop contingency plans.

The day-to-day operation of internal control is delegated to the Executive Officers. The Group 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 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 (subject to external review annually)
- Whistleblowing

Report of the Board on Internal Control (continued)

North Devon Homes has suitably qualified and experienced staff who are responsible for its business functions. Recruitment, 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 Group and the achievement of its objectives.

The Group has an ongoing internal audit plan and Mazars were employed as internal auditors during the year. The Group also employs consultants, where necessary, who provide specialist support, advice and training where appropriate. Hargreaves Risk and Strategy consultants are also engaged to provide specialist advice on risk and Altair are engaged to provide funding and treasury advice.

The Group has an anti-fraud policy in place covering prevention, detection and reporting of fraud and mitigation of fraud risk has been incorporated into the performance review process. The Board reviews the fraud register at each Board meeting and can confirm that no frauds against the Group 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. 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 should they identify any material internal control concerns.

By order of the Board

Simon Price, Chair of the Board
12 September 2016

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 2016 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Changes in Equity, the Consolidated and Association Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 24. 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) including FRS 102 "The Financial Reporting Standard applicable to the UK and Ireland".

This report is made solely to the Association'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 Association'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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 37, the board (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 the 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2016 and of the Group's and Association's 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 2015.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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;
- adequate accounting records have not been kept by the Association, or returns adequate for our audit have not been received from branches not visited by us; or
- the Association's financial statements are not in agreement with the accounting records and returns; or

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

- 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.

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: 14/9/16

Consolidated Statement of Comprehensive Income for the year ended 31 March 2016

	Note	Group 2016 £'000	Association 2016 £'000	Association 2015 £'000
Turnover	2	18,815	18,815	17,287
Operating Expenditure	2	(13,466)	(13,465)	(13,765)
Operating Surplus	**2**	**5,349**	**5,350**	**3,522**
Gain/(Loss) on disposal of property, plant and equipment	3	49	49	54
Share of operating surplus/(deficit) in associate	11	(7)	-	-
Interest receivable	4	67	67	13
Interest and Financing Costs	5	(2,898)	(2,898)	(2,649)
Surplus/(deficit) on revaluation of investment properties	10c	(215)	(215)	-
Surplus/(Deficit) before taxation		**2,345**	**2,353**	**940**
Taxation	9	(260)	(260)	(374)
Surplus/(Deficit) for the year		**2,085**	**2,093**	**566**
Unrealised surplus on revaluation of housing properties		-	-	17
Actuarial (loss)/gain in respect of pension schemes	22	423	423	(626)
Total Comprehensive income for the year		**2,508**	**2,516**	**(43)**

Consolidated statement of Financial Position as at 31 March 2016

Registered number 03674687

	Note	Group 2016 £'000	Association 2016 £'000	Association 2015 £'000
Fixed assets				
Intangible Assets	10a	38	38	-
Tangible fixed assets – Housing Properties	10b	147,613	147,613	144,098
Other property, plant & equipment	10c	2,030	2,030	1,941
Total fixed assets		**149,681**	**149,681**	**146,039**
Investments				
Investment Properties	11	2,353	2,353	2,443
Investment in Subsidiary	11	-	2,300	-
Investment in Associates	11	99	5	5
Other investments	11	314	314	314
		2,766	**4,972**	**2,762**
Debtors due after more than one year	**11**	**-**	**158**	**-**
		2,766	**5,130**	**2,762**
Current assets				
Debtors	12	1,049	931	845
Stock	13	2,899	654	1,596
Investments		-	-	8,355
Cash and cash equivalents		10,969	10,626	6,942
		14,917	**12,211**	**17,738**
Creditors: amounts falling due within one year	14	(9,785)	(9,537)	(6,543)
Net current assets		**5,132**	**2,674**	**11,195**
Total assets less current liabilities		**157,579**	**157,485**	**159,996**
Creditors: amounts falling due after more than one year	15	(100,405)	(100,404)	(105,627)
Defined Benefit pension liability	22	(3,352)	(3,352)	(3,357)
Net assets		**53,822**	**53,729**	**51,012**
Capital and Reserves				
Income & Expenditure reserve		9,554	9,461	6,945
Revaluation reserve		44,238	44,238	44,053
Restricted reserve		30	30	14
		53,822	**53,729**	**51,012**

These financial statements together with the associated notes on pages 45 to 87 were approved and authorised for issue by the Board on 12 September 2016 and were signed on its behalf by:

Simon Price
Chairman

Philippa Butler
Company Secretary

Consolidated Statement of Cash flows for the year ended 31 March 2016

	Note	Group 2016 £'000	Association 2016 £'000	Association 2015 £'000
Net cash generated from operating activities	16	**5,676**	**7,633**	**5,650**
Cash flows from Investing Activities:				
Purchase of tangible fixed assets		(6,597)	(6,597)	(10,402)
Proceeds from sale of tangible fixed assets		506	506	582
RTB Clawback		(246)	(246)	(530)
Investments		8,355	8,355	(8,659)
Grant received		212	212	1,641
Investment in subsidiary		-	(2,300)	-
Interest received		25	25	13
Net cash from in investing activities		**2,255**	**(45)**	(17,355)
Cash flows from Financing Activities:				
Interest paid		(3,121)	(3,121)	(2,720)
New secured Loans		-	-	19,961
Repayment of Borrowings		(783)	(783)	-
Net cash from financing activities		**(3,904)**	**(3,904)**	17,241
Net increase/(decrease) in cash and cash equivalents		4,027	3,684	5,536
Cash and cash equivalents at beginning of year		6,942	6,942	1,406
Cash and cash equivalents at end of year		**10,969**	**10,626**	6,942

Consolidated Statement of Changes in Reserves at 31 March 2016

Group	Income and Expenditure Reserve £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2014	7,153	44,053	19	51,225
Surplus from Statement of Comprehensive Income for the year	(43)	-	-	(43)
Unrealised surplus on revaluation of Fixed Assets	-	-	-	-
Actuarial gain in respect of pension schemes	(64)	-	-	(64)
Transfer of restricted expenditure to/from restricted reserve	-	-	(5)	(5)
Balance as at 31 March 2015	**7,046**	**44,053**	**14**	**51,113**
Surplus from Statement of Comprehensive Income for the year	2,085	-	-	2,085
Unrealised surplus on revaluation of Fixed Assets	-	185	-	185
Actuarial gain in respect of pension schemes	423	-	-	423
Transfer of restricted expenditure to/from restricted reserve	-	-	16	16
Balance as at 31 March 2016	**9,554**	**44,238**	**30**	**53,822**

Consolidated Statement of Changes in Reserves at 31 March 2016

Association	Income and Expenditure Reserve £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2014	7,044	44,053	19	51,116
Surplus from Statement of Comprehensive Income for the year	(34)	-	-	(34)
Unrealised surplus on revaluation of Fixed Assets	-	-	-	-
Actuarial gain in respect of pension schemes	(65)	-	-	(65)
Transfer of restricted expenditure to/from restricted reserve	-	-	(5)	(5)
Balance as at 31 March 2015	**6,945**	**44,053**	**14**	**51,012**
Surplus from Statement of Comprehensive Income for the year	2,093	-	-	2,093
Unrealised surplus on revaluation of Fixed Assets	-	185	-	185
Actuarial gain in respect of pension schemes	423	-	-	423
Transfer of restricted expenditure to/from restricted reserve	-	-	16	16
Balance as at 31 March 2016	**9,461**	**44,238**	**30**	**53,729**

Notes to the financial statements for the year ended 31 March 2016

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.

General Information
North Devon Homes is a registered charity and is a registered provider of social housing. It is a public benefit entity.

Basis of preparation
The Group's financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102), the Housing and Regeneration Act 2008, the Statement of Recommended Practice for Registered Social Housing Providers 2014 ('SORP 2014') and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain housing properties at the date of transition under the 'deemed cost' option of FRS102.

The Group's financial statements have been prepared in compliance to FRS102 as it applies for the first time to the financial statements of the Group for the year ended 31 March 2016.
The financial information as at 1 April 2014 (being the date of transition) and for the year end 31 March 2015 have been restated for material adjustments on adoption of FRS102 in the current year.

North Devon Homes meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside these consolidated financial statements. Certain optional exemptions and mandatory exceptions as applicable for first the adopters of FRS102, have been applied. Further information about the transition to FRS102 can be found in note 21.

Basis of consolidation
The Group financial statements consolidate the financial statements of North Devon Homes (the "Association") and its subsidiary undertaking Anchorwood Limited.

Going concern
The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Group have led to a reassessment of the Group's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Significant Judgements and key sources of estimation uncertainty
The preparation of financial statements in conforming with generally accepted accounting practice requires management to make judgements, estimates and assumptions that affect the reported amounts for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

The following Management Judgements that have had the most significant effect on amounts recognised in the financial statements:

Notes to the financial statements for the year ended 31 March 2016 (continued)

1 Accounting Policies (continued)

Development expenditure

The Group capitalises development expenditure in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Categorisation of housing properties

The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented properties are investment properties.

Impairment

The Group has identified a cash generating unit for impairment assessment purposes by area and property type. In carrying out the assessment, management have considered the detailed criteria set out in the SORP.

Bank Loan

Where loan agreements contain two way break clauses in respect of early repayment clauses, these loans have been treated as basic financial instruments, within section 11 of FRS102.

Other key sources of estimation uncertainty:

Tangible fixed assets

Other than investment properties, tangible fixed assets are depreciated over their useful lives, which are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Revaluation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged an independent valuer to determine fair value at the transition date, 31 March 2015 and 31 March 2016. The valuer used a valuation technique based on a discounted cash flow model. Estimated fair values may vary from the actual price that would be achievable in an arm's length transaction at the reporting date.

Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Further details are given in note 22.

Impairment of non-financial assets

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at an area level by property type, or at a scheme level for properties that were non stock transfer properties.

Notes to the financial statements for the year ended 31 March 2016 (continued)

1 Accounting Policies (continued)

During the year the government announced a change in rent policy which resulted in a material impact on the net income expected to be collected in the future for housing properties, and the Group have assessed that this represents a trigger for impairment review. The Group has carried out an assessment of impairment in accordance with the SORP and no impairment losses were identified in the reporting period.

Associates

An entity is treated as an associated undertaking where the Group has a participating interest and exercises significant influence over its operating and financial policies.

The consolidated income and expenditure account includes the Group's share of the associate's operating results and in the consolidated statement of financial position, the Group's share of the Associate's assets under the equity accounting method. In the results of the Association, associates are accounted for under the cost model.

Turnover

Turnover represents rental income and service charges receivable net of voids, fees and capital grants from local authorities and the Homes and Communities Agency ('HCA'), recognised in income on a systematic basis, income from first tranche shared ownership sales, market sales, revenue grants and income receivable from other sources (excluding VAT).

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 statement of financial position.

Other income, including service charges, is accounted for on the basis of the value of goods or services supplied during the period. Income from first tranche shared ownership sales and properties developed for outright sale are recognised when legal completion occurs.

Operating Surplus

Operating surplus is defined as turnover less operating expenses prior to adjustments for gains or losses on disposals, share in associate profits or losses, finance income and costs, revaluation and fair value adjustments and taxation.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between fixed assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche sale which is shown on initial recognition as a current asset, with the remainder as a fixed asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or fixed assets.

Proceeds from first tranche sales are accounted for as turnover in the Statement of Comprehensive Income for the period in which the sale occurs and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Housing Properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Development cost includes the cost of acquiring land and buildings, 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.

Notes to the financial statements for the year ended 31 March 2016 (continued)

1 Accounting Policies (continued)

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.

The Association has taken the transitional relief to include stock transfer housing properties at their Existing Use Value for Social Housing (EUV-SH) at the date of transition, known as deemed cost.

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 Statement of Comprehensive Income in the year in which it is recognised that the schemes will not be developed to completion.

Capitalised interest

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

Depreciation

Freehold land and housing properties under construction are not depreciated.

Housing properties

The Association separately identifies the major components which comprise its housing properties and depreciates components over their individual useful economic lives. The components identified, with their respective economic lives are as follows:

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

Notes to the financial statements for the year ended 31 March 2016 (continued)

1 Accounting Policies (continued)

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.

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

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

Social Housing and other Government Grants

Social Housing Grant ('SHG') or other government grant received to subsidise the cost of housing properties is included in creditors. Grants due or received in advance are 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. If there is no requirement to repay the grant on disposal, any unamortised grant remaining in creditors is released and recognised as income.

The Association has taken advantage of transitional relief for deemed cost and all grant on transition has been treated under the performance model and released to the Income and Expenditure Reserve. Subsequent to the date of transition, Government Grants received for housing properties are recognised in income over the useful life of the housing property structure. The unamortised element of the grant is recognised as deferred income in creditors.

Grants relating to revenue are recognised in Statement of Comprehensive Income over the same period as the expenditure to which they relate. Until the revenue grants are recognised as income they are recorded as liabilities.

Non Government Grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as turnover. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Notes to the financial statements for the year ended 31 March 2016 (continued)

1 Accounting Policies (continued)

Impairment
Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined using depreciated replacement cost.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

Sale of social housing properties
Surpluses on sales of housing accommodation comprise proceeds from property sales, which are recognised at the date of completion, less the following amounts:
(a) the net book value of the properties;
(b) any liabilities under Right to Buy sharing agreements with the local authority; and
(c) any amounts required to be set aside into the Disposals Proceeds Fund to be used for future investment in social housing.

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.

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

Investment properties
Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase costs and any directly attributable expenditure and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Intangible assets
Intangible assets are stated at historic cost, less accumulated amortisation and any provision for impairment. Amortisation is provided on all intangible assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

- computer software 5 years

Notes to the financial statements for the year ended 31 March 2016 (continued)

1 Accounting Policies (continued)

Intangible assets in the process of development are not amortised.

Stock
Stock is stated at the lower of cost and net realisable value. Properties developed for outright sale and shared ownership first tranche sales are included in current assets as they are intended to be sold. At each reporting date stock and properties held for sale are assessed for impairment. Any impairment losses are recognised in the Statement of Comprehensive Income.

Operating Leases
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Corporation Tax
The Association is a registered charity and is not subject to Corporation Tax on its charitable activities but is subject to tax on any non-charitable activities. Anchorwood Ltd is subject to Corporation Tax.

The tax expense for the period comprises current and deferred tax.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group'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.

Value Added Tax ('VAT')
The Association 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.

Anchorwood Ltd is separately registered for VAT and is able to reclaim VAT. Its expenditure is shown exclusive of VAT.

Interest Received
Interest earned on short term investments is accounted for when receivable.

Notes to the financial statements for the year ended 31 March 2016 (continued)

1 Accounting Policies (continued)

Pensions

Retirement benefits to employees are provided by the Social Housing Pension Scheme ("SHPS") and the Local Government Pension Scheme ("LGPS") (administered by Devon County Council Pensions) defined benefit pension scheme, details of which are given in note 22. Pension costs accounted for as a defined benefit scheme are in accordance with FRS102 (section 28).

SHPS

Defined benefit schemes

The Association 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 and therefore the scheme is accounted for as a defined contribution scheme. For this multi-employer scheme, there is a contractual arrangement between the scheme and the Association that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Defined contribution scheme

The Association participated in the defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

LGPS

The Association participates in the LGPS which is a multi-employer scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charge to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded , with the assets of the scheme held separately from those of the Association, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained triennially and are updated at each Statement of Financial Position date.

Revaluation Reserve

The revaluation reserve represents the difference on transition where deemed cost transitional relief was taken, between the fair value of social housing properties and other assets, or those assets that are re-measured annually and the historical cost carrying value.

Notes to the financial statements for the year ended 31 March 2016 (continued)

1 Accounting Policies (continued)

Provisions

Provisions are 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 within the Statement of Comprehensive Income and any surplus of funds is transferred to the restricted reserve at the year end.

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially plus directly attributable transaction costs and are recognised in the statement of financial position when the Association becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus of deficit.

Notes to the financial statements for the year ended 31 March 2016 (continued)

2a) Particulars of turnover, operating costs and operating surplus – Group & Association

Income and expenditure from general needs lettings	2016			2015		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings (note 2b)	**14,625**	**(10,539)**	**4,086**	13,708	(11,274)	2,434
Other social housing activities:						
Current asset property sales	**935**	**(825)**	**110**	212	(203)	9
Charges for support services	**101**	**(486)**	**(385)**	559	(555)	4
Non Social housing activities						
Other activities	**752**	**(338)**	**414**	736	(591)	145
Outright property sales	**2,300**	**(1,176)**	**1,124**	1,977	(1,038)	939
Restricted fund (Big Lottery)	**102**	**(102)**	**-**	95	(95)	-
Total	**18,815**	**(13,466)**	**5,349**	17,287	(13,756)	3,531

2b) Particulars of Income and Expenditure from social housing lettings – Group & Association

	General needs	Supported Housing	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	11,772	2,270	**14,042**	13,230
Service charge income	203	295	**498**	396
Amortised Government Grants	85	-	**85**	82
Turnover from social housing lettings	**12,060**	**2,565**	**14,625**	13,708
Expenditure on lettings:				
Management	(1,304)	(295)	**(1,599)**	(1,682)
Service charge costs	(198)	(232)	**(430)**	(498)
Routine maintenance	(1,891)	(407)	**(2,298)**	(2,607)
Planned maintenance	(1,338)	(195)	**(1,533)**	(855)
Major repairs expenditure	(2,187)	(257)	**(2,444)**	(2,639)
Bad debts	(18)	(20)	**(38)**	(53)
Depreciation of housing properties	(2,043)	(486)	**(2,529)**	(2,773)
Impairment of housing properties	-	-	**-**	-
Other costs	332	-	**332**	(167)
Operating expenditure on Social Housing Lettings	**(8,647)**	**(1,892)**	**(10,539)**	(11,274)
Operating surplus on social housing lettings	**3,413**	**673**	**4,086**	2,434
Void losses	(99)	(59)	**(158)**	(141)

Notes to the financial statements for the year ended 31 March 2016 (continued)

3 Surplus on disposal of property, plant and equipment

Group and Association

	2016 £'000	2015 £'000
Proceeds of sales (gross)	**506**	**582**
Less costs of sales	**(204)**	**(174)**
	302	**408**
Less NDC sharing of proceeds agreement	**(253)**	**(246)**
Less amount taken to RTA Disposal Proceeds Fund	**-**	**(108)**
Surplus on disposal	**49**	**54**

4 Other finance income

Group and Association

	2016 £'000	2015 £'000
Interest receivable	**67**	13

Notes to the financial statements for the year ended 31 March 2016 (continued)

5 Interest and financing costs

Group and Association

	2016 £'000	2015 £'000
Net Interest on defined benefit liability pension (see note 22)	**97**	28
Interest on loans wholly repayable in more than five years	**2,988**	2,960
Funding Management Charge	**7**	-
Loan amortisation	**(24)**	-
	3,068	**2,988**
Borrowing costs capitalised	**(170)**	(339)
	2,898	**2,649**

6 Surplus/(Deficit) on ordinary activities before taxation

Group and Association

	2016 £'000	2015 £'000
Surplus on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on tangible fixed assets	**2,733**	2,487
Auditors' remuneration:		
- Statutory Audit	**27**	19
- Taxation compliance services	**10**	12
Rent of office accommodation	**9**	7
Other operating lease rentals	**17**	28

7 Directors' remuneration and transactions

Group and Association

Members of the Board of Directors and Executive Team are deemed to be key management personnel. None of the Board members received emoluments in the year (2015: nil) . Emoluments for the Executive Team for the year are as follows:

Directors who are executive staff members	2016 £	2015 £
Wages and salaries (including benefits in kind)	**299,042**	294,217
Pension contributions – in respect of services as a director	**23,223**	23,377
Total emoluments	**322,265**	317,594

Notes to the financial statements for the year ended 31 March 2016 (continued)

7 Directors' remuneration and transactions (continued)

Emoluments (excluding pension contributions) paid to the highest paid

Director (the Chief Executive)

	2016 £	2015 £
Salary	**123,622**	118,958
Car Allowance	**4,800**	4,800
Other taxable allowances	**429**	521
Total emoluments	**128,851**	124,279

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply

8 Employee Information

Group and Association

The average number of persons employed during the year expressed in full-time equivalents was:

	2016 No.	2015 No.
Office staff	**75**	76
Maintenance staff	**15**	15
Wardens, caretakers and cleaners	**16**	16
	106	**107**

Staff costs for the above employees	2016 £'000	2015 £'000
Wages and salaries	**2,933**	2,972
Social security costs	**251**	253
Pension costs	**582**	855
	3,766	**4,080**

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

	2016	2015
Remuneration between £60k and £70k	**-**	1
Remuneration between £70k and £80k	**1**	-
Remuneration between £80k and £90k	**1**	1
Remuneration between £120k and £130k	**1**	1

Notes to the financial statements for the year ended 31 March 2016 (continued)

9 Taxation on surplus on ordinary activities

The tax charge comprises:

Current Tax on surplus on ordinary activities	**2016 £'000**	2015 £'000
United Kingdom Corporation Tax at 20% (2015: 21%)	**347**	366
Adjustments in respect of prior periods	**(87)**	8
Total current tax	**260**	374

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2016 £'000	2015 £'000
(Deficit)/Surplus on ordinary activities before tax	**2,345**	(940)
Loss on ordinary activities multiplied by standard rate in the UK of 20% (2015: 21%)	**469**	(197)
Effects of:		
Expenses not deductible for tax purposes	**51**	495
Depreciation in excess of capital allowances	**(10)**	(40)
Other timing differences	**137**	135
Chargeable gains	**-**	3
Charitable profits (non taxable)	**(383)**	-
Other amounts	**83**	(176)
Adjustments in respect of prior periods	**(87)**	8
Adjustments in respect of FRS102 adjustments	**-**	146
Current tax charge for the year	**260**	**374**

Deferred taxation

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

	2016 £'000	2015 £'000
Origination and reversal of timing differences	**50**	-
Effect of increase in tax rate on opening liability	**43**	-
Total deferred tax	**93**	-

Notes to the financial statements for the year ended 31 March 2016 (continued)

Group and Association

10a Intangible fixed assets
Group and Association

	Computer Software	Total
Cost		
As at 1 April 2015	-	-
Additions	38	38
At 31 March 2016	**38**	**38**
Amortisation		
As at 1 April 2015	-	-
Charge for the year	-	-
At 31 March 2016	**-**	**-**
Net book value at 31 March 2016	38	**38**
Net book value at 31 March 2015	-	-

Notes to the financial statements for the year ended 31 March 2016 (continued)

10b Tangible fixed assets - Housing Properties
Group and Association

	Housing property under construction £'000	Social housing property for letting completed £'000	Shared Ownership £'000	Total £'000
Cost or deemed cost				
As at 1 April 2015	2,471	145,932	1,383	149,786
Additions	3,746	907	-	4,653
Component additions/replacements	-	1,659	-	1,659
Disposals	-	(922)	-	(922)
Transfers	(5,992)	5,230	762	-
At 31 March 2016	**225**	**152,806**	**2,145**	**155,176**
Depreciation				
As at 1 April 2015	-	5,501	10	5,511
Charge for the year (inc accelerated depreciation)	-	2,591	17	2,608
Disposal	-	(733)	-	(733)
At 31 March 2016	**-**	**7,359**	**27**	**7,386**
Impairment				
As at 1 April 2015	-	177	-	177
Charge for the year	-	-	-	-
At 31 March 2016	**-**	**177**	**-**	**177**
Net book value at 31 March 2016	**225**	**145,270**	**2,118**	**147,613**
Net book value at 31 March 2015	2,471	140,253	1,374	144,098

NBV of housing properties on historic cost basis
Group & Association:

	2016 £'000	2015 £'000
Cost	**128,033**	122,643
Accumulated depreciation	**(22,437)**	(20,736)
Net Book Value	**105,596**	101,907

Notes to the financial statements for the year ended 31 March 2016 (continued)

10c Tangible fixed assets – Other Property, Plant & Equipment Group and Association

	Investment Properties £'000	Office £'000	Other land & buildings £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost or valuation						
As at 1 April 2015	2,443	1,828	174	808	273	5,526
Additions	125	-	-	42	2	169
Revaluation	(30)	-	-	-	-	(30)
Disposals	-	-	-	(144)	-	(144)
Transfers	(185)	185	-	-	-	-
At 31 March 2016	**2,353**	**2,013**	**174**	**706**	**275**	**5,521**
Depreciation						
As at 1 April 2015	-	341	45	553	207	1,146
Charge for the year	-	37	6	58	24	125
Disposal	-	-	-	(133)	-	(133)
At 31 March 2016	**-**	**378**	**51**	**478**	**231**	**1,138**
Net book value at 31 March 2016	**2,353**	**1,635**	**123**	**228**	**44**	**4,383**
Net book value at 31 March 2015	2,443	1,488	129	257	67	4,384

The Westacott Road investment property (long leasehold of 999 years with an option to purchase the freehold after five years), was valued to fair value at 31 March 2016, based on a valuation undertaken by Vickery Holman Limited, Property Consultants. The other investment properties, which are all freehold, were valued to fair value at 31 March 2016 by Bruton Knowles, Property Consultants.

Both valuers are independent valuers with recent experience in the location and class of the investment property being valued.

Notes to the financial statements for the year ended 31 March 2016 (continued)

11 Fixed Asset Investments

Group companies

The Group includes the following subsidiary, which is registered in England:

Name	Incorporation and ownership	Regulated/non regulated	Nature of business
Anchorwood Limited	Company 100%	Non regulated	Property development

Investments	Group 2016 £'000	Association 2016 £'000	Association 2015 £'000
Investment in Advantage South West LLP	**99**	**5**	5
Investment in Plough & Share credit union	**10**	**10**	10
Investment in Anchorwood Limited	**-**	**2,300**	-
Investment in Affordable Housing Finance	**304**	**304**	304
	413	**2,619**	319

Advantage South West LLP: The Group's investment represents a 25% shareholding and capital contribution. The Group's share of net assets at 31 March 2016 was £99k (2015: £106k) and share of losses for the year was £7k (2015: £9k loss).

Plough & Share Credit Union: The Group's investment represents £10k of deferred shares.

Anchorwood Limited: The subsidiary company was established in June 2015. The net assets at 31 March 2016 were £2,299k and loss for the year ended 31 March 2016 was £1k.

Notes to the financial statements for the year ended 31 March 2016 (continued)

12 Debtors

	Group	Association	Association
	2016	**2016**	2015
	£'000	**£'000**	£'000
Amounts falling due within one year:			
Rental arrears	**128**	**128**	106
Less provisions for bad debts	**(89)**	**(89)**	(70)
	39	**39**	36
Prepayments and accrued income	**437**	**437**	273
Other debtors	**558**	**440**	400
Social Housing Grant receivable	**15**	**15**	136
	1,049	**931**	845

	Group	Association	Association
	2016	**2016**	2015
	£'000	**£'000**	£'000
Amounts falling due after one year:			
Amounts due from subsidiary	**-**	**158**	-

13 Stock

	Group	Association	Association
	2016	**2016**	2015
	£'000	**£'000**	£'000
Properties held for sale	**654**	**654**	69
Work in progress	**2,245**	**-**	1,527
	2,899	**654**	1,596

Notes to the financial statements for the year ended 31 March 2016 (continued)

14 Creditors: amounts falling due within one year

	Group 2016 £'000	Association 2016 £'000	Association 2015 £'000
Rent and other receipts in advance	**365**	**365**	340
Trade creditors	**566**	**337**	435
Amounts due under Right to Buy sharing agreement	**253**	**253**	246
Corporation tax creditor	**272**	**272**	374
Other taxation and social security	**84**	**84**	97
Interest accruals	**502**	**502**	539
Disposal proceeds fund	**-**	**-**	108
Loan Repayment	**5,365**	**5,365**	783
Accruals and deferred income	**2,378**	**2,359**	3,621
	9,785	**9,537**	**6,543**

14a Disposals Proceeds Fund

Disposals Proceeds Fund	**2016 £'000**	2015 £'000
At 1 April	**108**	103
Transfer from Right to Acquire Sales	**-**	108
Recycled during the year	**(108)**	(103)
At 31 March	**-**	108

Notes to the financial statements for the year ended 31 March 2016 (continued)

15 Creditors: amounts falling due after more than one year

Group and association

	2016 £'000	2015 £'000
Loans	**87,489**	92,878
Social Housing Grant Received in advance	**12,916**	12,749
	100,405	105,627
Defined Benefit Pension Schemes	**3,352**	3,357
	103,757	108,984

Loans	2016 £'000	2015 £'000
Expiring in more than one year but less than 2 years	**3,018**	6,621
Expiring in two years or more but less than 5 years	**6,123**	6,047
Expiring in more than 5 years	**78,348**	80,210
	87,489	92,878

The weighted average period for which interest rates were fixed was 22 years, and the weighted average fixed interest rate was 4.74%. The weighted average total interest rate for all loans was 3.29% (2015: 3.41%).

Debt Analysis

Group and association

Deferred Income – Government Grants	2016 £'000	2015 £'000
At 1 April	**12,749**	11,043
Grants receivable	**252**	1,788
Amortisation to Statement of Comprehensive Income	**(85)**	(82)
At 31 March	**12,916**	12,749

Notes to the financial statements for the year ended 31 March 2016 (continued)

16 Statement of Cashflows

Cashflow from operating activities

	Group 2016 £'000	Association 2016 £'000	Association 2015 £'000
Surplus/(Deficit) for the year	2,085	2,086	566
Adjustment for non-cash items:			
Depreciation of tangible fixed assets	2,733	2,733	2,827
Decrease/(increase in stock)	(1,303)	941	(526)
(Increase)/Decrease in trade and other debtors	(325)	(207)	284
Increase/(decrease) in trade and other creditors	(596)	(1,002)	902
Increase/(decrease) in impairment provision	-	-	17
Pensions costs less contributions payable	(102)	(102)	(569)
Abortive costs written off	5	5	147
Share of operating surplus/(deficit) in associate	7	7	9
Carrying amount on PPE disposals	-	-	(881)
Adjustments for investing or financing activities			
Proceeds from sale of PPE	(49)	(49)	(54)
(Increase)/decrease in fair value of investment property	215	215	-
Government Grants utilised in the year	(85)	(85)	(82)
Interest Payable	2,898	2,898	2,649
Interest Received	(67)	(67)	(13)
Taxation	260	260	374
Net cash generated from operating activities	**5,676**	**7,633**	**5,650**

Notes to the financial statements for the year ended 31 March 2016 (continued)

17 Financial Commitments

Capital commitments are as follows:

	Group	Association	Association
	2016	**2016**	2015
	£'000	**£'000**	£'000
Contracted for but not provided for in the financial statements	**2,482**	**532**	5,670
Future expenditure approved by Directors but not contracted for at the year end	**1,580**	**1,580**	899

Capital commitments will be funded by a mixture of loan facilities, grants and cash reserves.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group	Association	Association
	2016	**2016**	2015
	£'000	**£'000**	£'000
Payments due:-			
- Within 1 year	**17**	**17**	7
- Between one and five years	**23**	**23**	21
	40	**40**	28

18 Financial Instruments

The Group's financial instruments comprise debtors, creditors, cash and cash equivalents and loans. All the Financial Instruments are considered to be Basic under the criteria specified under FRS102.

The Association's financial instruments comprise debtors, creditors, cash and cash equivalents and loans.

Financial Assets	Group	Association	Association
Debt instruments measured at amortised cost	**2016** **£'000**	**2016** **£'000**	2015 £'000
Investments	**-**	**-**	8,355
Cash & Cash equivalents	**10,969**	**10,626**	6,942
Debtors	**612**	**494**	572
	11,581	**11,120**	15,869

Notes to the financial statements for the year ended 31 March 2016 (continued)

18 Financial Instruments (continued)

Financial liabilities:	**Group**	**Association**	Association
	2016	**2016**	2015
	£'000	**£'000**	£'000
Borrowings:			
Housing Loans at amortised cost	**92,853**	**92,853**	93,661
Total Borrowings	**92,853**	**92,853**	**93,661**
Creditors:			
Trade creditors	**566**	**337**	435
Accrual and other creditors	**3,135**	**3,116**	4,406
Total creditors	**3,701**	**3,453**	**4,841**

Interest income and expense

	Group	**Association**	Association
	2016	**2016**	2015
	£'000	**£'000**	£'000
Total interest income for financial assets at amortised cost	**67**	**67**	13
Total interest expense for financial liabilities at amortised cost	**2,898**	**2,898**	2,649

19 Housing Stock

Group and Association

	2016	2015
	Units	Units
Owned and managed		
General needs housing accommodation	**2,261**	2,335
Housing accommodation at affordable rent	**320**	223
Housing accommodation at intermediate rent	**13**	10
Housing for older persons	**593**	583
Shared ownership accommodation	**47**	25
Housing accommodation let at market rent	**8**	8
Units managed on behalf of others	**24**	24
	3,266	3,208
Leaseholders	**95**	94
	3,361	3,302

There were 2,936 (2015: 2,945) properties with a fixed charge as at 31 March 2016.

Notes to the financial statements for the year ended 31 March 2016 (continued)

20 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 rental arrears relating to Tenant board members at 31 March 2016. A total of £9,801 was chargeable rent and service charges to Tenant Board members during the year.

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 Group's share of the operating deficit in the year was £7k. The Association paid membership fees to ASW of £15k (2015: £15k) and there were no amounts owed to ASW at 31 March 2016 (2015: £nil).

North Devon Homes works with Plough and Share Credit Union as a strategic partner as part of the Credit Union Sustainability Project to provide access to affordable credit and savings for its customers and the community of North Devon. As at March 2016 its investment was £10k (2015: £10k) of deferred shares.

During the year the Association invested £2.3m in the share capital of its non regulated subsidiary and £158k in loans. An amount of £179k (excluding VAT) was recharged in respect of previous costs incurred in respect of the Anchorwood Bank scheme.

Notes to the financial statements for the year ended 31 March 2016 (continued)

21 Explanation of transition to FRS 102

Association reconciliation of total comprehensive income for the year ended 31 March 2015

	Note	UK GAAP as prev. reported £'000	Revaluations additional deprec'n £'000	Deprec'n on stripping out grants £'000	Social Housing Pension creditor £'000	Amortisat'n of grants £'000	Cross Subsidy Reversal £'000	Market Rented properties impairm't £'000	Actuarial Loss on pensions £'000	Share in associate £'000	FRS102 £'000
Turnover	**2**	17,205				82					**17,287**
Operating Expenditure	2	**(14,865)**	(256)	(82)	508		939			(9)	(13,765)
Operating Surplus	**2**	**2,340**	**(256)**	**(82)**	**508**	**82**	**939**	**-**	**-**	**(9)**	**3,522**
Gain/(Loss) on disposal of property, plant and equipment	3	**54**									54
Finance income	4	**13**									13
Interest and Financing Costs	5	**(2,649)**									(2,649)
Surplus/(Deficit) on ordinary activities before taxation		**(242)**	**(256)**	**(82)**	**508**	**82**	**939**	**-**	**-**	**-**	**940**
Taxation	9	**(374)**									(374)
Surplus/(Deficit) for the year		**(616)**	**(256)**	**(82)**	**508**	**82**	**939**	**-**	**-**	**-**	**566**
Unrealised surplus/(deficit) on revaluation of housing properties								17			17
Actuarial (loss)/gain in respect of pension schemes									(626)		(626)
Total comprehensive income/(deficit) for the year		**(616)**	**(256)**	**(82)**	**508**	**82**	**939**	**17**	**(626)**	**(9)**	**(43)**

Notes to the financial statements for the year ended 31 March 2016 (continued)

21 Explanation of transition to FRS 102 (continued)

Association reconciliation of Net Assets and Reserves at 1 April 2014 – transition to FRS102

	Note	UK GAAP as prev. reported £'000	Market rented properties £'000	Depreciation on stripping out grants £'000	Revaluations at deemed cost & depreciation £'000	Capital grants £'000	Deemed cost grant adj £'000	Amortisation of Grants £'000	Social Housing Pension creditor £'000	Cross subsidy reversal £'000	Total transition movements £'000	FRS 102 1/4/14 £'000
ASSETS												
Fixed Assets												
Intangible Assets	10										-	-
Gross cost of housing props	10a	111,940	(767)		28,013					192	27,438	139,378
Accumulated depreciation	10a	(18,520)	19	(405)	15,784						15,398	(3,122)
Impairment provision	10a	(300)	123								123	(177)
Housing properties		**93,120**	**(625)**	**(405)**	**43,797**	-	-	-	-	**192**	**42,959**	**136,079**
Social Housing Grant	10a	(10,932)				10,875	57				10,932	-
Other grants	10a	(489)				489					489	-
		81,699	**(625)**	**(405)**	**43,797**	**11,364**	**57**	-	-	**192**	**54,380**	**136,079**
Other tangible fixed assets	10b	3,080	1,031			75					1,106	4,186
Investments	10c	15									0	15
Total fixed assets		**84,794**	**406**	**(405)**	**43,797**	**11,439**	**57**	-	-	**192**	**55,486**	**140,280**
Current assets												
Debtors (Trade receivables)	11	1,293									-	1,293
Properties under construction	12	1,069									-	1,069
Investments											-	-
Cash at bank and in hand		1,406									-	1,406
		3,768	-	-	-	-	-	-	-	-	-	**3,768**
LIABILITIES												
Creditors: amounts falling due within one year	**13**	**(4,956)**									-	**(4,956)**
Net current assets / liabilities		**(1,188)**	-	-	-	-	-	-	-	-	-	**(1,188)**

Notes to the financial statements for the year ended 31 March 2016 (continued)

21 Explanation of transition to FRS 102 (continued)

	Note	UK GAAP as prev. reported	Market rented properties	Depreciation on stripping out grants	Revaluations at deemed cost & depreciation	Capital grants	Deemed cost grant adj	Amortisation of Grants	Social Housing Pension creditor	Cross subsidy reversal	Total transition movements	FRS 102 1/4/14
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non current liabilities												
Loans & borrowings	14	(73,700)										(73,700)
Grants						(11,439)		397			**(11,042)**	(11,042)
Pension liability		(2,124)							(1,111)		**(1,111)**	(3,235)
		(75,824)	**-**	**-**	**-**	**(11,439)**	**-**	**397**	**(1,111)**	**-**	**(12,153)**	**(87,977)**
Total assets less current liabilities		**7,782**	**406**	**(405)**	**43,797**	**-**	**57**	**397**	**(1,111)**	**192**	**43,333**	**51,115**
EQUITY												
Revenue reserves	16	7,999	170	(405)	(256)		57	397	(1,111)	192	**(956)**	7,043
Revaluation reserve	16	(236)	236		44,053						**44,289**	44,053
Restricted reserve	16	19										19
		7,782	**406**	**(405)**	**43,797**	**-**	**57**	**397**	**(1,111)**	**192**	**43,333**	**51,115**

Notes to the financial statements for the year ended 31 March 2016 (continued)

21 Explanation of transition to FRS 102 (continued)

Association reconciliation of Net Assets and Reserves at 1 April 2015 – transition to FRS102

	Note	UK GAAP as prev. reported £'000	Market rented props at cost £'000	Revaluations additional depreciation £'000	Social Housing Pension creditor £'000	Capital grants £'000	Amortisation of Grants £'000	Cross subsidy reversal £'000	Depreciation on stripping out grants £'000	Total transition movements 14.15 £'000	Total transition movements 13.14 £'000	FRS 102 1/4/15 £'000
ASSETS												
Fixed Assets												
Intangible Assets	10									-	-	-
Gross cost of housing props	10a	121,512	(103)					939		836	**27,438**	149,786
Accumulated depreciation	10a	(20,572)		(255)					(82)	(337)	**15,398**	(5,511)
Impairment provision	10a	(317)	17							17	**123**	(177)
Housing properties		**100,623**	**(86)**	**(255)**	-	-	-	**939**	**(82)**	**516**	**42,959**	**144,098**
Social Housing Grant	10a	(12,720)				1,788				1,788	**10,932**	-
Other grants	10a	(489)				0					**489**	-
		87,414	(86)	(255)	-	1,788	-	939	(82)	2,304	**54,380**	144,098
Other tangible fixed assets	10b	3,175	103							103	**1,106**	4,384
Investments	10c	319								-	-	319
Total fixed assets		**90,908**	**17**	**(255)**	-	**1,788**	-	**939**	**(82)**	**2,407**	**55,486**	**148,801**
Current assets												
Debtors (Trade receivables)	11	845								-	-	845
Properties under construction	12	1,595								-	-	1,595
Investments		8,355								-	-	8,355
Cash at bank and in hand		6,942								-	-	6,942
		17,737	-	-	-	-	-	-	-	-	-	**17,737**
LIABILITIES												
Creditors: amounts falling due within one year	**13**	**(6,543)**								-	-	**(6,543)**
Net current assets / liabilities		**11,194**	-	-	-	-	-	-	-	-	-	**11,194**

Notes to the financial statements for the year ended 31 March 2016 (continued)

21 Explanation of transition to FRS 102 (continued)

	Note	UK GAAP as prev. reported	Market rented props at cost	Revaluations additional depreciation	Social Housing Pension creditor	Capital grants	Amortisation of Grants	Cross subsidy reversal	Depreciation on stripping out grants	Total transition movements 14.15	Total transition movements 13.14	FRS 102 1/4/15
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non current liabilities												
Loans & borrowings	14	(92,878)								-	**-**	(92,878)
Grants						(1,788)	82			(1,706)	**(11,042)**	(12,748)
Pension liability		(2,754)			508		-	-		508	**(1,111)**	(3,357)
		(95,632)	-	-	508	(1,788)	82	-	-	(1,198)	**(12,153)**	(108,983)
Total assets less current liabilities		**6,470**	**17**	**(255)**	**508**	**-**	**82**	**939**	**(82)**	**1,209**	**43,333**	**51,012**
EQUITY												
Revenue reserves	16	6,692	17	(255)	508		82	939	(82)	1,209	**(956)**	6,945
Revaluation reserve	16	(236)								-	**44,289**	44,053
Restricted reserve	16	14								-	**-**	14
		6,470	**17**	**(255)**	**508**	**-**	**82**	**939**	**(82)**	**1,209**	**43,333**	**51,012**

Notes to the financial statements for the year ended 31 March 2016 (continued)

21 Explanation of transition to FRS 102

This is the first year that the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Explanation of changes to previously reported profit and equity:

- To have a one-off revaluation at 1 April 2014, entitled deemed cost, which results in a c£44M increase in the tangible fixed asset carrying values of the Group.
- As a result of the above revaluation, increased depreciation charges annually of c£256k per annum, as a result of the higher asset costs from there on.
- A one-off depreciation charge in 2014-15 due to Social Housing Grants now being eliminated from deduction against fixed assets, thus again increasing the fixed asset base cost. This results in extra depreciation of c£82k.
- The Social Housing Grant now sits in creditors: amounts falling due in more than one year. However, as the grant is amortised over the life of the asset it funds, then this credits the Revenue Reserve by c£82k per annum.
- Other grants are treated the same in that they are also now recognised in long term liabilities. These total £489k as at 1 April 2014.
- Recognition of SHPS pension deficit as a creditor in the balance sheet. Previously this has just been a note to the accounts but at 1 April 2014 this resulted in £1.1M as a creditor reduced in 2014-15 by £0.5M, to outturn at £0.6M.
- Market rented properties are classified as Investment Properties from 1 April 2014. This has resulted in any increase in these properties to be recognised in the Revenue Reserve. At 1 April 2014 this amounted to £264k. Also, any previous impairment of these type of properties has to be reversed and added back. This amounted to £123k at 1 April 2014, which also adds back to Revenue Reserve.

Exemptions taken on transition to FRS102:

(1) The Group has taken the exemption relating to Business Combinations and goodwill,
(2) The election to measure property, plant and equipment (fixed assets) and investment property at fair value deemed cost at the transition date,
(3) To measure property, plant and equipment (fixed assets) and Investment property using a previous GAAP revaluation as deemed cost at the variation date; and
(4) The exemption allowed for Public Benefit entity combinations to the 'acquisition' of HA1 in 2012.

Notes to the financial statements for the year ended 31 March 2016 (continued)

22 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 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 FRS102, Section 28, 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. The estimated employer contributions for 2015/16 are £32k.

Notes to the financial statements for the year ended 31 March 2016 (continued)

22 Pensions (continued)

Financial assumptions
The financial assumptions used to calculate the results are as follows:

	31 Mar 2016		31 Mar 2015		31 Mar 2014	
	% pa	Real	% pa	Real	% pa	Real
RPI Increases	3.1%	-	3.1%	-	3.5%	-
CPI Increases	2.2%	-0.9%	2.3%	-0.8%	2.7%	-0.8%
Salary increases	4.0%	-0.9%	4.1%	1.0%	4.5%	1.0%
Pension increases	2.2%	-0.9%	2.3%	-0.8%	2.7%	-0.8%
Discount rate	3.5%	-0.4%	3.1%	0.0%	4.4%	0.9%

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:

	31 March 2016	31 March 2015
Males retiring today	**22.9**	22.8
Males retiring in 20 years	**25.5**	25.1
Females retiring today	**26.2**	26.1
Females retiring in 20 years	**28.6**	28.4

Notes to the financial statements for the year ended 31 March 2016 (continued)

22 Pensions (continued)

The expected return on assets and the interest cost has been replaced with a single net interest cost which effectively sets the expected return equal to the discount rate.

Expected return on assets	**31 March 2016 %**	**31 March 2016 % pa**	**31 March 2015 %**	**31 March 2015 % pa**
Gilts	146	3%	293	6%
UK Equities	1,074	24%	1,136	25%
Overseas equities	1,450	32%	1,590	34%
Property	494	11%	461	10%
Infrastructure	186	4%	128	3%
Target return portfolio	647	14%	680	15%
Cash	83	2%	79	2%
Other Bonds	128	3%	160	3%
Alternative assets	257	6%	82	2%
Total	**4,465**	**99%**	**4,609**	**100%**

A building block approach is used in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note.

The following amounts have been recognised in the financial statements for the year ended 31 March 2016 under the requirements of FRS102:

Notes to the financial statements for the year ended 31 March 2016 (continued)

22 Pensions (continued)

The amounts recognised in the profit and loss statement are:	**Year to 31 Mar 2016 £'000**	Year to 31 Mar 2015 £'000
Service cost	70	54
Current service cost	Included above	Included above
Net interest on the defined liability (asset)	85	91
Interest on obligation	n/a	n/a
Expected return on Fund assets	n/a	n/a
Past service costs	Included above	Included above
Losses (gains) on settlements and curtailments	Included above	Included above
Administration expenses	2	2
Total loss (profit)	**157**	**147**

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	**Year to 31 Mar 2016 £'000**	Year to 31 Mar 2015 £'000
Opening defined benefit obligation	**7,363**	**6,491**
Current Service cost	70	54
Interest current	225	279
Change in financial assumptions	(524)	891
Change in demographic assumptions	-	-
Experience loss/(gain) on defined benefit obligation	(1)	1
Total actuarial losses (gains)	Separated above	Separated above
Losses (gains) on curtailments	Combined below	Combined below
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(232)	(368)
Past service cost	Combined below	Combined below
Past service costs, including curtailments	-	-
Contributions by Scheme participants	15	17
Unfunded pension payments	(2)	(2)
Closing defined benefit obligation	**6,914**	**7,363**

Notes to the financial statements for the year ended 31 March 2016 (continued)

22 Pensions (continued)

Net pension asset as at	**31 Mar 2016 £'000**	31 Mar 2015 £'000	31 Mar 2014 £'000
Present value of the defined benefit obligation	6,882	7,327	6,460
Fair value of Fund assets (bid value)	4,465	4,609	4,367
Deficit / (Surplus)	**2,417**	**2,718**	**2,093**
Present value of unfunded obligation	32	36	31
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
Net defined benefit liability / (asset)	**2,449**	**2,754**	**2,124**

Notes to the financial statements for the year ended 31 March 2016 (continued)

22 Pensions (continued)

Reconciliation of opening & closing balances of the fair value of Fund assets	**Year to 31 Mar 2016 £'000**	Year to 31 Mar 2015 £'000
Opening fair value of Fund assets	**4,609**	**4,367**
Expected return on assets	n/a	n/a
Interest on assets	140	188
Return on assets less interest	(104)	266
Other actuarial gains/(losses)	-	-
Total actuarial gains/(losses)	n/a	n/a
Administration expenses	(2)	(2)
Contributions by employer including unfunded	41	143
Contributions by Fund participants	15	17
Estimated benefits paid plus unfunded net of transfers in	(234)	(370)
Settlement prices received / (paid)	-	-
Closing fair value of Fund assets	**4,465**	**4,609**

The total return on the fund assets for the year to 31 March 2016 is £36,000

History of asset values, present value of liabilities and deficit	**2016 £m**	2015 £m	2014 £m	2013 £m	2012 £m
Fair value of assets	**4.47**	4.61	4.37	4.28	3.91
Present value of liabilities	**(6.91)**	(7.36)	(6.49)	(6.44)	(5.77)
Scheme deficit at the end of the year	**(2.44)**	(2.75)	(2.12)	(2.16)	(1.86)

Notes to the financial statements for the year ended 31 March 2016 (continued)

22 Pensions (continued)

History of experience gains and losses	**2016 £m**	2015 £m	2014 £m	2013 £m	2012 £m
Experience gains/(losses) on assets	(0.10)	0.26	(0.19)	0.27	(0.13)
Experience gains/(losses) on liabilities*	0.00	0.00	0.01	0.00	0.00

* 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 (the latest valuation) as £856k. At the year end this amount was guaranteed by way of a guarantee indemnity through Lloyds Bank Plc. 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 scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3.123m, liabilities of £4.446m and a deficit of £1.323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Notes to the financial statements for the year ended 31 March 2016 (continued)

(b) Social Housing Pension Scheme (continued)

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2.062m, liabilities of £3.097m and a deficit of £1.035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present Values of Provision

	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Present value of provision	903	603	1,111

Notes to the financial statements for the year ended 31 March 2016 (continued)

Reconciliation of Opening and Closing Provisions

	Period Ending 31 March 2016 (£000s)	**Period Ending** 31 March 2015 (£000s)
Provision at start of period	603	1,111
Unwinding of the discount factor (interest expense)	12	30
Deficit contribution paid	-	(575)
Remeasurements - impact of any change in assumptions	(6)	37
Remeasurements - amendments to the contribution schedule	294	-
Provision at end of period	903	603

Income and Expenditure Impact

	Period Ending 31 March 2016 (£000s)	**Period Ending** 31 March 2015 (£000s)
Interest expense	12	30
Remeasurements – impact of any change in assumptions	(6)	37
Remeasurements – amendments to the contribution schedule	294	-
Costs recognised in income and expenditure account	**300**	**67**

Assumptions

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.06	1.92	3.02

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Notes to the financial statements for the year ended 31 March 2016 (continued)

Deficit Contributions Schedule

Year ending	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Year 1	27	-	576
Year 2	28	-	-
Year 3	151	-	-
Year 4	158	123	-
Year 5	150	129	123
Year 6	115	120	129
Year 7	120	84	120
Year 8	92	88	84
Year 9	62	59	88
Year 10	64	28	59
Year 11	33	29	28
Year 12	-	15	29
Year 13	-	-	15

The company recognises a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate, as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

23 Group Members

North Devon Homes Limited is the parent undertaking and has one subsidiary being Anchorwood Limited.

24 Legislative provision

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