North Devon Homes Financial Statements for the year ended 31 March 2019

Registered Company No. 03674687

Registered Charity No. 1164142

North Devon Homes

Financial Statements

for the year ended 31 March 2019

Contents

Board Members, Executive Officers, Advisors and Bankers

The Board of Management
Mr Robert Stronge (Chair)
Mr James Barrah
Mr Asad Butt (Vice Chairman)
Ms Debbie Hay
Ms Sabina Goodman
Ms Suzanne Ingman
Ms Delyth Lloyd-Evans
Mr Scott Murray
Mr Paul Oldroyd

Company Secretary
Mrs Philippa Butler

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

Statutory Independent Auditors
PricewaterhouseCoopers LLP
2 Glasswharf
Bristol
BS2 0FR

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 Advisors
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 is a company limited by guarantee (Registered in England, Company Number 03674687), registered charity (charity number 1164142) and is registered with the Regulator of Social Housing (Registration Number LH4249).

The registered office is at:
Westacott Road
Barnstaple
Devon
EX32 8TA
www.ndh-ltd.co.uk

Board of Management report for the year ended 31 March 2019

Strategic Report

The Board of Management presents its strategic report and audited financial statements for the year ended 31 March 2019.

Legal Structure

North Devon Homes ('NDH' or 'the Association') was incorporated in November 1998. NDH is an independent social business and registered charity. 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 Regulator of Social Housing. 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 on pages 8 to 24. This includes the Value for Money Statement 2019 and the Board's arrangements for managing risk.

Results

The Group's surplus after tax for the year was £1,029k (2018: £333k).

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

The Board is skills-based and consists of up to ten independent members.

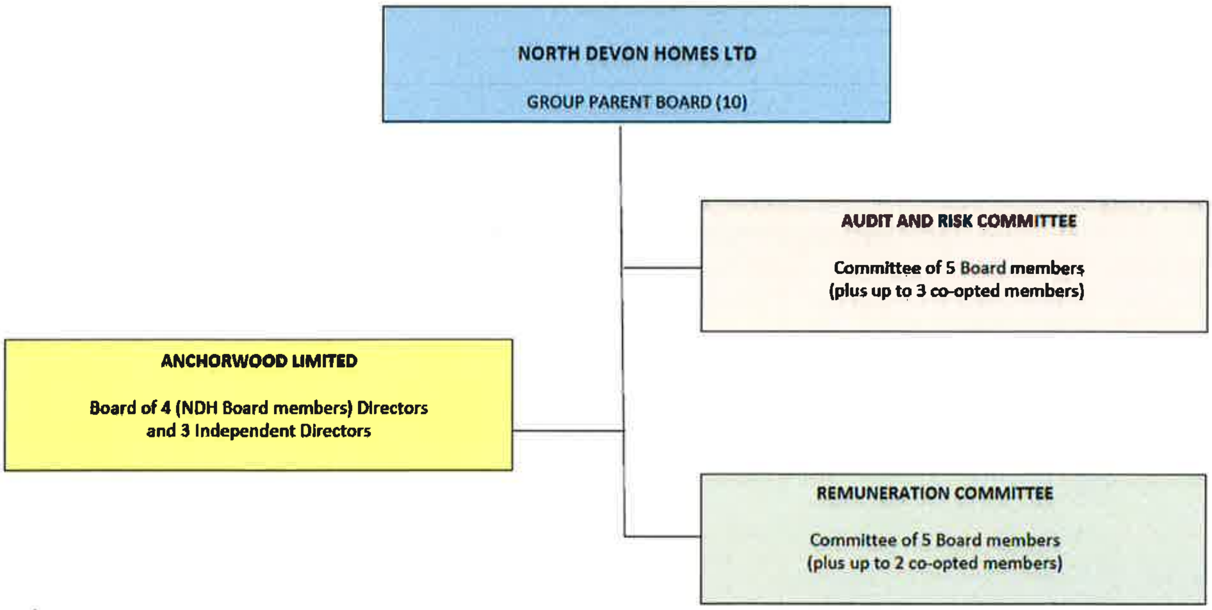
For the year ending 31 March 2019 the following members served on the Board:

Board of Management report for the year ended 31 March 2019 (continued)

- Mr Robert Stronge
- Mr Asad Butt
- Mrs Dawn Ash (resigned 31 March 2019)
- Mr Scott Murray
- Mr James Barrah
- Ms Delyth Lloyd-Evans
- Ms Sabina Goodman
- Ms Suzanne Ingman
- Ms Debbie Hay
- Mr Paul Oldroyd

The governance structure for the Group is summarised below:

GROUP STRUCTURE



The Boards 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 Boards continue to work and challenge themselves to ensure that they have the necessary skills, experience and where appropriate, the necessary external advice to support decision making and strategic planning.

Board of Management report for the year ended 31 March 2019 (continued)

Compliance Statement

North Devon Homes (NDH) has adopted the NHF 2015 Code of Governance and strives to uphold the principles of good governance as defined by the Code. The Board regularly assesses compliance with the Code to gain assurance that the organisation remains compliant and identifies any areas for improvement.

The Board confirms that NDH was fully compliant with the Code through the financial year ending 31 March 2019.

Each year our Regulator, the Regulator of Social Housing, requires us to assess our compliance with its Governance and Financial Viability Standard and provide assurance to customers and stakeholders that the specific expectations within the Standard are being complied with.

During the year new statutory requirements came into force under General Data Protection Regulation (GDPR) legislation and whilst NDH was not fully compliant with all aspects of the GDPR requirements as at the 25 May 2018 the areas of non-compliance were not material, and the company is working to ensure full compliance through the introduction of new software systems.

The Board is pleased to confirm that during the year ended 31 March 2019 it considers that NDH has complied with all applicable outcomes and specific expectations of the Governance and Financial Viability Standard and its accompanying Code of Practice, together with the outcomes and requirements of all the other economic and consumer standards.

Charity commission compliance

The Board as Trustees can confirm that in respect of the Association as the registered charity, it has complied with Charity Commission's requirements during the year and any fundraising activities in respect of its youth service (as the only area of fundraising activity) has been in accordance with the Charities (Protections and Social Investment) Act 2016.

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 year 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 2019 (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 Association has a formal risk management and assurance framework to mitigate the potential adverse effects that such risks may pose which are further detailed in the Strategic Report on pages 8 to 24.

Employees

The strength of the Group lies in the quality and commitment of its employees. Our strong team NDH culture enables us to meet our objectives and deliver good quality services to our customers in an efficient manner. We value highly the continued dedication and professionalism of our employees.

The Group operates a continuous performance management review process which supports the delivery of corporate objectives by identifying any training and development needed to achieve those objectives.

Equal opportunities

The Group 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 Group 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. Following formal approval by the Charities Commission during the year, the Board members (who are also Trustees) are remunerated for their services, details of which are set out in note 7 to the financial statements.

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

Robert Stronge
Chair of the Board
16 September 2019

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 2019, the Association owned 3,282 (2018: 3,241) affordable homes.

With the exception of one property in the Torridge area, all of North Devon Homes' housing stock is located within the local government district of North Devon. The Association 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 Association's property assets is as follows:

	2019 No.	2018 No.
North Devon Homes' Affordable Housing Stock:		
General Needs		
Social rent	2,275	2,271
Affordable rent	426	397
Intermediate rent	14	14
Shared Ownership	56	48
Older persons Housing		
Social rent	511	511
Total	**3,282**	**3,241**

Other units not included above:		
Market Rented	7	10
Leasehold Properties	89	95
Units managed on behalf of others	20	24
Garages	679	681
Commercial Properties	20	20
Total	**815**	**830**

Governance and Management

During 2018/19 the NDH Board met eight 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 five times during the year.

A governance improvement working group was also established to identify areas where governance could be further strengthened and where there may be opportunities for further development, following completion of the governance improvement action plan in the previous 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 Regulator of Social Housing (the "Regulator") under the Regulatory Framework for Social Housing in England.

In April 2018 the Regulator issued a revised Regulatory Judgement to the Association, confirming a governance upgrade from G2 to G1. In November 2018, following the Regulator's annual stability check review, it was confirmed that the Association maintained the following highest Regulatory Ratings (which were in place as at March 2019):

- **Properly Governed: G1**
  The provider meets the governance requirements.

- **Viable: V1**
  The provider meets the viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.

Corporate Priorities and Strategies

The Association's vision, objectives and strategies are set out in our 2018-2021 Corporate Plan, following the key themes of *Me, My Home, My Neighbourhood, My Landlord*. Through this plan, the Association 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 targets for each objective. 2018/19 was the first year of the Corporate Plan and the end year review demonstrated that the majority of objectives were being delivered on target. At the time of review, there were no objectives that were at risk of not being achieved during the 3 year period of the Plan. Key areas of focus for 2019/20 are to ensure we achieve the Corporate Plan objectives relating to the new IT system and channel shift strategy, and the Taw Wharf mixed-tenure development being undertaken by Anchorwood Limited.

Performance in the Year

Underpinning the Corporate Objectives, the following specific priorities were delivered in 2018/19:

- **Deliver Welfare Reform Support**

Universal Credit (UC) was rolled out in North Devon from July 2018, and by year end 270 of our customers had transitioned to UC. Current tenant rent arrears figures continued to show excellent performance throughout the year with the year end result at 0.6% of the annual rent debit, only showing a small increase on the previous year. The difficulties for customers on UC are demonstrated when looking deeper at the results: arrears for non-UC customers of 0.4% compared to average arrears of 2.75% for those in receipt of UC. During the year, we continued to work with customers to help them transition to UC, and to help them build up a rent credit to cover them across the gap in benefit when switching to Universal Credit.

Strategic Report (continued)

Performance in the Year (continued)

- **Taw Wharf Development**

During 2018/19, Anchorwood Limited continued work on the residential element of the first phase of the Taw Wharf (previously named Anchorwood Bank) development. The entire scheme will deliver 37 social rented homes to NDH, and also gift aid to NDH the profits arising from the sale of 135 open market sale units.

- **IT Systems**

During the year, we successfully implemented a new integrated HR and payroll solution, resulting in efficiency gains in respect of processing activities. We also successfully implemented the first phase of our mobile working solution for our Home2Home repairs service, to improve workflows and provide a more streamlined operating solution. Whilst not fully implemented in the year, we continued to progress with work on our new service charges software implementation, which is due to be finalised in 2019/20.

Our three core IT systems – relating to tenancy management, repairs and asset management – are deemed to be at the end of their useful lives. As a consequence, preparation has been underway during 2018/19 for a new integrated housing management system to cover all three areas, involving process reviews, requirements gathering and investigation of potential suppliers. The system changes will reduce risk related to IT, but are also a key part of our Value for Money (VfM) delivery. They will enable more on-line interaction with customers and will also deliver efficiencies as we refine processes and take advantage of new IT capabilities.

- **Improving our stock for customers**

During 2018/19, we have trialled the use of Tesla batteries alongside E7 heating in a number of our properties, which delivered annual savings of between £200 and £400 for customers. We will also be trialling the Energiesprong approach in a number of properties to identify whether this improves the energy efficiency of these homes. In addition, we continue to identify and dispose of our worst performing properties when opportunity arises, using receipts to acquire or develop new affordable homes.

Performance Management

The Company has a robust Performance Management Framework in place. The Corporate Objectives set by the Board as part of the Corporate Plan are cascaded into Service Excellence Plans (SEPs) for each service area. The SEPs inform the personal objectives for each member of staff. Both the SEPs and the staff objectives are regularly monitored through a continuous performance review process to ensure operational delivery.

Key Performance Indicators (KPIs)

The North Devon Homes Board and Executive Team monitor the Group's KPIs 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 our 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 2019 is summarised on the following page:

Strategic Report (continued)

Key Performance Indicators (KPIs) (continued)

Here is how we are performing in some of our key areas compared to the same period in the previous financial year.

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 period 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*	92.1%	**88.4%**	87.0%	⇩
Compliments received	50	**27**	No Target	n/a
Complaints received	25	**36**	No Target	n/a
Complaints upheld	11	**16**	No Target	n/a
RESPONSIVE REPAIRS				
Customer satisfaction with the repairs service - overall	98.2%	**97.4%**	95.5%	⇩
Emergency repairs completed **within 24 hours**	98.5%	**99.6%**	99.0%	⇧
Urgent repairs completed **within 7 calendar days**	97.5%	**97.4%**	97.3%	⇩
Routine repairs completed **within 28 calendar days**	95.3%	**89.8%**	95.0%	⇩
CUSTOMER CARE TEAM				
Call Quality Overall % Score	88.3%	**91.4%**	80.0%	⇧
Neighbour disputes handled	197	**155**	No Target	n/a
PLANNED MAINTENANCE				
% Planned Maintenance Programme Delivery	105.9%	**96.0%**	100.0%	⇩
Customer satisfaction with Planned Maintenance service received	95.7%	**94.2%**	96.0%	⇩
GAS SAFETY				
Properties with a gas safety certificate	100%	**100%**	100%	⇔
RE-LET PROPERTIES				
Number of properties re-let	181	**218**	No Target	n/a
Rent loss due to empty properties (as a % of rental due)	0.57%	**0.83%**	0.55%	⇩
Average time to complete void works and re-let properties (in c/days)	36.2	**54.7**	31.0	⇩
Number of mutual exchanges completed	40	**38**	No Target	n/a
RENT COLLECTION				
Outstanding rent (current customers)	0.46%	**0.60%**	1.80%	⇩
Outstanding rent (former customers)	0.53%	**0.70%**	0.59%	⇩
INDEPENDENT LIVING SERVICES				
Customers likely to recommend the Devon Homelink alarm service	92%	**100%**	95%	⇧
Customers satisfied with the Devon Homelink home support service	98%	**99%**	90%	⇧
FINANCE				
Liquidity - Group	3.22	**3.72**	0.95	⇧
Liquidity - Association	1.78	**1.42**	0.95	⇩
Quick Liquidity Ratio (excluding stock) - Group	1.95	**1.05**	0.65	⇩
Quick Liquidity Ratio (excluding stock) - Association	1.73	**1.11**	0.65	⇩
Interest Cover - Group	142.6%	**162.8%**	110%	⇧
Interest Cover - Association	148.0%	**180.1%**	110%	⇧

**Previous Performance = STAR 2015. Current Performance = STAR 2018. Target = Peer Group (Housing Associations (Traditional): London; South East/West). Upper Quartile Position 2017/18.*

Strategic Report (continued)

Key Performance Indicators (KPIs) (continued)

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

- **Repairs:** Customer satisfaction with our repairs service remained high and above target, despite being slightly lower than the previous year. Repairs on time performance was above target for the highest priority repairs (i.e. Emergency, Urgent), but below target for routine repairs, largely due to sickness and turnover in the team, and also jobs not being completed due to access issues.

- **Rent Collection**: The performance of rent collection for current customers continued to be extremely strong in 2018/19. Although the arrears target is increased on the previous year, 2018/19 has seen the roll-out of Universal Credit in North Devon and performance is significantly better than target. Former tenant arrears have increased and are above target; this is connected to a small number of tenancies ending with very high arrears and we endeavour to balance this with providing support to sustain tenancies.

- **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, worsened compared to the previous year and did not achieve target. This year has seen increased re-lets, coupled with a lack of capacity in our in-house repairs service Home2Home and external contractors to carry out void works. During the year, a new IT system has been implemented to speed up the process, and the internal capacity to carry out void works has been increased. It is anticipated that these changes, with further changes to be implemented in 2019/20, will see performance in this area improve.

- **Customer Satisfaction:** The STAR survey (Survey of Tenants and Residents) was undertaken in August 2018, and although overall satisfaction dropped, it remained upper quartile compared to our peer group. Customer satisfaction remains a key driver, and in 2019/20 we created a Service Improvement Coordinator role to focus not just on formal complaints, but also on resolving instances of customer dissatisfaction across the organisation. There were 36 complaints in 2018/19, up from 25 the previous year, but still a relatively small number (Housemark suggest a Housing Association can expect 33 complaints annually per 1000 properties). Of the 36 complaints received, just under half (16) were upheld.

- **Planned Maintenance (major repairs)**
  The majority of the planned maintenance programme was completed in year (262 out of 273 units). Most units carried over were electrical rewires; our contractor had limited capacity and priority electrical works arising from periodic inspections were prioritised over the planned rewires. These outstanding rewires were completed in Q1 2019/20. Although customer satisfaction with the work carried out was marginally below target, this did not indicate any trends with specific contractors or types of works, and was based on a relatively small number of responses for the year.

- **Finance:** Financial performance during the year was in line with the budget for the year. Through the addition of 69 new social housing units, the value of total housing property fixed assets increased by £4.02m from the previous year. There was a corresponding decrease in cash balances but liquidity remained strong at the end of the year, with £9.89m of stock and work in progress attributable to the investment in the Taw Wharf development site. Further detail on financial performance is provided on pages 22-24.

Strategic Report (continued)

Risk Management

The Group has a clear framework for managing risk and during the year, an external review of Risk Management was carried out by Hargreaves Risk and Strategy which concluded again that the Risk Management was 'very good'.

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 controls in place, time-specific assurances against those controls, as well as actions planned to further improve controls. The full risk register is reviewed by the Audit and Risk Committee on a quarterly basis as well as every four to six weeks by the Strategic Performance Group.

The Board considers risk in all of 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 Group's areas of greatest risk. The internal auditors provide an independent view on the design and operation of the Group's controls which informs the Board's assessment.

Some of the key risks to successful achievement of the Group's objectives are summarised below. These risks are actively monitored by the Board and the Executive Team.

Strategic Report (continued)

Risk Management (continued)

Risk	Key controls
Failure to achieve and deliver Value for Money (VfM)	Budgetary control policy and procedures in place. Corporate Plan for 2018-2021 Plan establishes VfM priorities. VFM Strategy 2018-21 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 and inform a programme of continuous improvement activity.
Higher arrears than anticipated as a result of welfare reform	Significant work undertaken with customers ahead of roll-out of Universal Credit (UC) in July 2018 to prepare them and, following roll-out, to work with customers who have moved to UC, to support them to manage finances and keep their arrears down. 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. Promote Direct Debits and basic bank accounts. Recurring card payments implemented via Allpay. Wide range of payment facilities available with new facilities introduced in the year. Whilst overall performance is very good, this still remains a key risk as the result of the significant impact that UC has on customers.
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. Key controls are reviewed annually as part of internal audit programme. Regular business plan updates to Boards. Comprehensive stress testing and scenario 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. Stress testing carried out based on externally developed scenarios e.g. Bank of England stress tests, to ensure Business Plan capacity is understood, we are prepared for changes in the environment, and have identified triggers and recovery actions. 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 is regularly reviewed and updated as the Brexit negotiations progress, and will continue to be, as there is likely to be ongoing uncertainty affecting the 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 is regularly reviewed and updated as the Brexit negotiations progress, and will continue to be, as there is likely to be ongoing uncertainty affecting the economic environment.

Strategic Report (continued)

Risk Management (continued)

Risk	Key controls
Non-Compliant with General Data Protection Regulation (in force from 25th May 2018)	Information Security Compliance Group (ISCG) in place to support compliance and delivery of the action plan. Finance Director appointed as Data Protection Officer in place to ensure compliance progress monitored at a senior level. Member of South West GDPR group, sharing resources and materials. Programme of data protection e-learning and other awareness activities in place for all staff. GDPR compliance audit undertaken during the year by specialist advisors. GDPR requirements included in specification for new housing management system.
Failure of the Board to exercise good governance	Skills-based Board in place. 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 Board members. Skills mix of Board reviewed annually and / or when membership changes.
Failure of Taw Wharf (Anchorwood Bank) development	Local estate agents and valuers engaged to inform the development of homes for sale, sales strategy, and pricing. Mitigation in place to address potential failure of contractor / joint venture agreement partner. Exit stages mapped out to ensure Board has choices throughout the development prior to commitment to each build phase. Contracts in place to set out responsibilities of contractors / partners and to mitigate against cost increases. Controls in place to ensure VfM and delivery against anticipated profit. Controls in place to ensure Health and Safety on site. Scenario and stress testing of Anchorwood Limited business plan to understand the impact of risks crystallising. The assumptions continually reviewed following the Brexit vote to ensure the plan is realistic in the post-Brexit environment (e.g. potential for falling house prices, economic downturn, rising costs of borrowing and materials).
Failure to comply with Health and Safety obligations	Permanent Health and Safety (H&S) Officer post in place with an allocated H&S budget. External expertise retained to provide support. To mitigate the H&S risks as an employer: policy and procedures are in place, reviewed regularly and communicated; monitoring of near misses, incidents, and actions; training provided for all staff; regular briefings / updates on H&S. To mitigate the H&S risks in our stock we have robust policies and procedures which are monitored and regularly audited in relation to gas, fire safety, electrics, legionella, and asbestos; a cyclical maintenance process / procedure is in place; and, an overall compliance register is maintained. To mitigate risks as client and developer, there are procedures to ensure Construction Design and Management regulations are followed. We continue to prepare for legislative changes resulting from the Grenfell enquiry by investing in health and safety compliance and robust monitoring arrangements.
IT systems and security. Failure to comply with data protection legislation	Firewall and anti-virus software are in place and penetration testing is carried out. Non-public areas of the building are protected by security systems, and devices are protected by passwords. Training is provided for staff, and regular updates (e.g. regarding ransomware threat). IT Strategy is in place, with appropriate budget in the business plan, to ensure IT systems that meet business need are in place and maintained. Work is underway to procure a new integrated housing management IT system. A programme is ongoing to upgrade end-of-life IT infrastructure. Data protection policies and procedures are in place.

Strategic Report (continued)

Risk Management (continued)

Risk	Key controls
Failure to successfully implement new Integrated Housing Management System	Project Manager in place, with a robust project governance structure (Delivery Group / Project Board). Project plan in place, with detailed Project Risk Register. Close working with other Housing associations to learn lessons from their implementations. Preparation work undertaken ahead of time to ensure teams understand their requirements and workflows.

Strategic Report (continued)

Value for Money Statement 2019

As a community landlord, Value for Money (VfM) is a key driver of our culture and is integral in everything that we do, from setting strategies at Board level through to delivering good value services to our customers. Delivering VfM is one of the four main strategic objectives in our Corporate Plan 2018-2021: maximising the value of the services we provide within available resources. We aim to deliver a high quality service as efficiently and effectively as we can.

This VfM statement outlines our key areas of achievement during the year as well as highlighting those areas where we could have performed better.

Benchmarked data is contained in the report to show how well we are performing compared to our peers and the sector as a whole. In line with the Regulator's new VfM Standard, which came into operation in April 2018, our statement is focused on the seven key metrics that the Regulator of Social Housing (RSH) uses to compare providers. Wider benchmarked data for operational areas is used in addition to demonstrate the VfM we achieve.

Value for Money performance
Our VfM strategy 2018-2021 includes the seven VfM metrics that the RSH is using to measure efficiency across the sector, as defined in their revised VfM Standard published in 2018. The targeted outcomes for the seven metrics in our VfM strategy for the NDH Group are set out below, together with the targets for the following two years as forecast in our May 2019 Business Plan.

VfM Targets 2018-21	VFM strategy targets 2018-21			Business plan targets	
	2018/19	*2019/20*	*2020/21*	*2021/22*	*2022/23*
Reinvestment	5.4%	2.2%	2.1%	5.5%	1.8%
New Supply - Social Housing Units	2.5%	2.2%	0.6%	1.6%	0.1%
New Supply - non-Social Housing Units	0.4%	1.0%	1.4%	1.3%	0.5%
Gearing	60.0%	59.0%	59.0%	54.8%	51.1%
EBITDA MRI	143%	182%	155%	159%	155%
Headline Social Housing Cost per unit	£2,945	£2,753	£2,980	£3,296	£3,426
Operating Margin - Social Housing Lettings	25.1%	27.9%	28.1%	29.0%	30.0%
Operating Margin - Overall	22.9%	22.5%	21.8%	24.2%	27.4%
Return on Capital Employed (ROCE)	2.7%	3.6%	3.2%	4.0%	3.8%

The table below shows performance against the seven regulatory VfM metrics as published as part of the Regulator's Global Accounts data for 2017/18. NDH's Group performance is shown below alongside sector performance for 2017/18, this being the latest published information available. NDH's Group performance for 2018/19 is also shown demonstrating how our absolute performance has changed, and whether we have achieved the targets we have set ourselves.

Strategic Report (continued)

VfM Metrics	2017/18 performance		2018/19 performance		
	North Devon Homes	Sector Median	North Devon Homes	Performance Change	2018/19 target achieved
Reinvestment	5.3%	*6.0%*	4.9%	↓	No
New Supply - Social Housing Units	1.1%	*1.2%*	2.1%	↑	No
New Supply - non-Social Housing Units	0.0%	*0%*	0.03%	↑	No
Gearing	56.4%	*42.9%*	60.0%	↓	Yes
EBITDA MRI	124.1%	*206.0%*	141.7%	↑	No
Headline Social Housing Cost per unit	£3, 070	*£3,400*	£2,670	↑	Yes
Operating Margin - Social Housing Lettings	23.5%	*32.1%*	30.0%	↑	Yes
Operating Margin - Overall	23.1%	*28.9%*	28.2%	↑	Yes
Return on Capital Employed (ROCE)	2.5%	*4.1%*	3.1%	↑	Yes

Metrics in 2017/18 were below the sector median, but the majority showed improvement for 2018/19:

- **Reinvestment** was below the sector median in 2017/18 and at 4.9% in 2018/19, below the target of 5.4% (equivalent to c£800k of capital additions), due to the delayed handover of some new homes. However in the year we invested £6.6m into new additions to our social housing stock and a further £1.0m invested into works to existing properties.
- **New supply** of social units was below the median in 2017/18, whilst delivery of non-social units was on the median; both have increased in 2018/19 in line with increased unit delivery. However, they did not quite achieve target due to a delayed handover of 19 new build completions after year end.
- **Gearing** was above the sector average for 2017/18 because, as a Large Scale Voluntary Transfer Association, we carry more debt arising from the stock transfer in February 2000, than traditional providers. There was a decline in the 2018/19 performance metric from the previous year due to increased commercial borrowing as planned to fund the Taw Wharf scheme, therefore the overall performance met target.
- **EBITDA MRI** was below the median in 2017/18, but increased in 2018/19 due to the increased operating surplus and smaller programme of major repairs undertaken in the year. The 2018/19 result of £141.7% was just slightly under the target of 143.0% for the year by c£50k due to slightly lower than forecast rental income, although this was offset by savings in other areas.
- **Headline Social Housing Cost per unit** was significantly lower than the sector median in 2017/18, demonstrating that NDH costs are well controlled; the 2018/19 result shows a further improvement and is well within the £2,945 target.
- **Operating margins** continue to be pressured due to the 1% rent reduction, however, there have been improvements in 2018/19 due to an increase in shared ownership sales and income from other activities compared to the previous year.
- **Return on Capital employed (ROCE)** was below the median in 2017/18, but increased in 2018/19 due to the increase in operating surplus and increased net assets position, largely arising from the development of new build properties and continued investment into the development at Taw Wharf.

In addition to the metrics used by the RSH, the table below shows VfM performance for 2017/18 compared to 2016/17 for different operational areas of NDH. This table utilises Housemark data. Where an area is flagged red, performance is below the median, or costs are higher; where an area is flagged green, the opposite is true.

This data (the latest comparative data available at the time of writing) takes into account the cost of the service and the performance of the service – giving a good indicator of VfM. The data has been benchmarked against our Housemark peer group of Southern Traditional Housing Associations, rather than the whole sector.

Strategic Report (continued)

Area	2016/17 Cost per Property (CPP)	2016/17 Performance	2017/18 Cost per Property (CPP)	2017/18 Performance	Change
Responsive Repairs	CPP responsive repairs service provision	Satisfaction with repairs & Maintenance (STAR)	CPP responsive repairs service provision	Satisfaction with repairs & Maintenance (STAR)	↔
Major Works and Cyclical Maintenance	CPP Major Works and Cyclical Maintenance	Satisfaction with repairs & Maintenance (STAR)	CPP Major Works and Cyclical Maintenance	Satisfaction with repairs & Maintenance (STAR)	↑
Voids and lettings	CPP Void works service provision	Void rent loss %	CPP Void works service provision	Void rent loss %	↑
Rent arrears and collection	CPP rent arrears & collection	Rent collected %	CPP rent arrears & collection	Rent collected %	↔
Tenancy management	CPP tenancy management	Overall satisfaction (STAR)	CPP tenancy management	Overall satisfaction (STAR)	↔
Resident engagement	CPP resident involvement	Satisfaction Views listened to / acted upon (STAR)	CPP resident involvement	Satisfaction Views listened to / acted upon (STAR)	↔
Customer services	CPP Housing management	No benchmarked data (average seconds to answer inbound calls)	CPP Housing management	No benchmarked data (average seconds to answer inbound calls)	↔
Neighbourhood management	CPP ASB	Satisfaction with neighbourhood (STAR)	CPP ASB	Satisfaction with neighbourhood (STAR)	↓
Community investment	CPP Community investment	No benchmarked data (Residents undertaking training or education)	CPP Community investment	No benchmarked data	↓

The data above suggests that for most areas where data is available, performance remained good in 2017/18. In terms of changes from 2016/17:

- Void rent loss performance improved to be lower (better) than median in 2017/18, as re-let times and rent loss continued to fall as they had done for the previous two years.
- Satisfaction with Neighbourhood decreased (worsened) based on the results of the STAR survey undertaken in 2018 but the vast majority of customers (83%) replied that they were satisfied with their neighbourhood. Customer satisfaction remains a key driver, and in 2019/20 we have created a Service Improvement Coordinator role to focus not just on formal complaints, but also on resolving instances of customer dissatisfaction across the organisation.

In terms of costs, changes between 2016/17 and 2017/18 are:

- our cost per property of major works and cyclical maintenance decreased (improved) by £100 compared to 2016/17, to take it below the median. The spend on major works was the driver for the reduction, with the smaller programme in 2017/18 accounting for the saving.
- the cost per property of community involvement rose to above the median, from £33 to £80, reflecting the Board's desire to continue to fund and support the work undertaken by the Youth Team.

Areas where Cost Per Property (CPP) remained above the peer group median were:

- Void works: Our CPP rose from £155 to £196, but this mirrored the median increase (from £147 to £182), so we remain marginally above the median for the peer group. The increase in cost reflects the increased amount of void works contracted out as a result of limited capacity in NDH's Home2Home service during the year; therefore increasing costs.
- Resident Involvement: Despite costs falling marginally, CPP remained above the median, reflecting the costs of providing additional staff resource to cover a period of long term absence.

Strategic Report (continued)

Value for Money Targets

As noted above, the key VfM targets are against the seven VfM metrics set by the RSH. However, the Board has also outlined three other targets in its VfM strategy. These are set out in the table below:

Measure	2018/19 Target	2019/20 Target	2020/21 target
No. of changes as a result of customer consultation / feedback	12	12	12
Financial welfare referrals having a positive impact for customers	50%+ referrals receiving positive financial outcome	50%+ referrals receiving positive financial outcome	50%+ referrals receiving positive financial outcome
Staff volunteer days linked to customers and community	-	50	50

In terms of performance against these targets for 2018/19:

- **No. of changes as a result of customer consultation / feedback:** Customers are consulted and can feedback through our customer involvement processes, led by the C90 group. In 2018/19, 16 changes were made as a result of customer input. Examples included changes to the information provided to customers about our services (i.e. website, leaflets), and to key policies impacting customers (e.g. Planned Maintenance).
- **Financial welfare referrals having a positive impact for customers**: In 2018/19, there were 430 referrals. Customers who engaged with the team were supported to get the benefits they were entitled to, were given advice about how best to prioritise their repayments with limited funds, and / or were referred to other specialist organisations that could assist them (e.g. LEAP regarding reducing energy bills). During the year £130k of additional income was received by customers where staff helped identify additional benefits / assistance that they were entitled to. Of the 430 customers receiving welfare referrals, only 3 were evicted in 2018/19, with the vast majority sustaining their tenancies. More detailed reporting is being put in place for 2019/20 to understand in greater depth the outcome of financial welfare referrals.
- **Staff volunteer days linked to customers and community**: The scheme was set up and launched in 2018/19, and has got off to a successful start; at the beginning of June 2019, 14 full volunteer days had been given to community activity, involving 29 members of staff.

Social value

The social value that NDH provides to its customers includes a social return for the benefit of communities. We continue to invest in our Independent Living Service to support older customers in their homes and additionally are using staff from the Service in the community to identify and resolve wider issues that vulnerable customers may have. Our youth project continues to deliver significant value for young people. The team has carried out family intervention and support, supported young people of school leaving age into college or paid employment, and is continuing to evaluate outcomes to demonstrate the benefits and VfM offered by the programme.

C90 and Scrutiny Panel

As a community landlord, engaging with our customers is a key part of delivering VfM. As a result of customers volunteering their time through our customer groups such as C90 and the Scrutiny Panel, a number of policies and procedures have been reviewed in the year (for example, recharges and permissions), leading to process efficiencies and better outcomes for both customers and the Association.

Strategic Report (continued)

Our customers will play an integral part in our DB2020 digital transformation project as customers continue to be part of our customer journey mapping and consultation with customers is embedded in our decision making.

Plans for the year ahead
In addition to focussing on the VfM targets outlined above, other key priorities for the year 2019/20 are:

- Continue to progress with our Digital by 2020 (DB2020) project, replacing old IT software with new systems that will allow us to be more efficient and provide a better experience for our customers.
- Work with our partners in Advantage South West (in which NDH has a 25% shareholding) to develop the modern methods of construction initiative, enabling quicker and cost efficient delivery of new homes in our communities.
- Engage effectively with our customers to challenge and refine service delivery. Continue to utilise feedback from complaints to make service improvements.
- Through Anchorwood Limited, ensure that profitability levels are maintained to provide gift aid receipts of over £1m over the period until 2023 and that 37 affordable homes are delivered at the Taw Wharf scheme.
- Through our strong Team NDH culture, continue to invest and develop our staff through our organisational development strategy (Team NDH plan).
- Continue to invest in our robust health and safety compliance arrangements and be prepared for any future legislative changes.
- Work with other providers in developing a sustainable credit union for the south west, to help alleviate poverty and reduce door-step lending.

Delivery of the VfM strategy will be a continued focus during the coming year for our Board through its decision making; for customers including our C90 and Scrutiny Group; and for staff through our VfM culture and delivery of key projects delivering our corporate plan objectives. We continue to monitor and report performance against all of our targets and in our communications with customers and staff.

Strategic Report (continued)

Operating and Financial Review

Financial Review
Despite the 1% rent reduction, income from lettings increased in the year to 31 March 2019 by 1.5% (2018: 3.3% increase) from £14,591k in 2018 to £14,809k. Despite stock losses of 19 general needs properties through Right to Buy and strategic disposals, 69 new general needs properties were added to our stock resulting in an overall increase in social housing lettings income.

There was an increase in turnover within other social housing activities of £179k to £244k in 2019 (2018: £65k) as there were two shared ownership properties developed in the year (2018: nil). There was an increase in turnover of £151k to £1,087k (2018: £936k) within non-social housing activity due to a slight increase in commercial lettings income and charitable donations received in the year.

The Group operating surplus for the year was £5,370k (2018 restated: £4,220k), an increase of £1,150k from the previous year. With the early adoption of the Statement of Recommended Practice for Registered Providers 2018 (detailed further in accounting policies on page 36), this includes gains from disposals of property, plant and equipment of £810k (2018: £598k) as we continued to disinvest in our poorest performing assets and reinvest into new affordable homes. There was an increase in Group turnover of £507k mainly arising from an increase in current asset property sales and provision of the disabled adaptations programme under a partnering arrangement with the local authority; in addition there was a decrease in overall operating costs of £431k. During the year £1,288k (2018: £1,737k) of major repairs expenditure was written off to the income and expenditure account and in addition £1,019k of works were capitalised (2018: £1,695k).

Surplus on property disposals was £810k, an increase of £212k from 2017/18. This was as a result of the delivery of the strategic disposals programme during the year which resulted in the sale of ten general needs properties, for a total of £1,888k. £735k was also generated from the sale of 4 investment (market rented) properties. Receipts from these disposals have been reinvested into the development programme for the provision of new social housing in the area.

The Group's surplus before tax was £1,029k (2018: £326k). For the year ended 31 March 2019, sufficient information was available from the Social Housing Pension Scheme (SHPS) to apply defined benefit accounting as required by FRS102, whereas in previous years there had not been sufficient information available to identify each employer's share of pension assets and liabilities. This therefore brought the accounting treatment for SHPS in line with the Devon County Council Pension Fund (DCCPF). There was an actuarial loss in the year of £301k (2018: £310k gain) in relation to the Devon County Council Pension Fund and £954k loss recognised as a result of the change in disclosure to the SHPS pension scheme.

The Group's loss after tax and pension losses for the year was £226k (2018: £643k surplus). This amount was charged to revenue reserves.

Debt Profile
During the year, in order to secure the funding for phase 2 of the Taw Wharf development, Anchorwood Limited secured a new facility with NatWest for £3.44m (in addition to the phase 1 facility of £5.172m); none of this phase 2 facility had been drawn as at the year end. There was no change to the other facilities.

A summary of loan facilities as at the year end is below:

Strategic Report (continued)

Operating and Financial Review

Financial Review (continued)

Lender	2019 £'000	2018 £'000	Description
Lloyds	51,300	51,300	Fixed
Lloyds revolving credit facility	5,000	5,000	Variable
Affordable Housing Finance	8,000	8,000	Fixed
GB Social Housing	27,638	27,638	Fixed
NatWest	8,613	5,173	Variable
TOTAL	**100,551**	**97,111**	

Individual lenders specify their own covenant requirements. For Lloyds and GB Social Housing these are interest cover, asset cover and debt per unit. The two Affordable Housing Finance covenants are net annual income and asset cover. There were no covenant breaches during the year.

At 31 March the debt profile was as follows:

Loan Facility	2019	2018
Fixed Rate Loans £'000	£86,938	£86,938
Variable Rate Loans £'000	£4,257	-
Total Loans Drawn £'000	**£91,195**	**£86,938**
% unhedged	4.9%	5.3%
Average cost of funds	5.12%	4.83%
Undrawn facility £'000	£9,356	£10,173
Total Facility £'000	**£100,551**	**£97,111**

The average maturity of net debt 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 and Policy. 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 year under review are contained in the Consolidated Statement of Cash Flows on page 33. The main net cash inflows from operating activities are from housing management activities. The net cash outflow from investing activities is the net expenditure (after grant) on regeneration projects, development properties and planned maintenance improvements, including the replacement of components of housing properties.

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 (EUV-SH), Bruton Knowles provided a valuation of £120.8m (2014: £112.5m) in respect of the whole social rented housing stock at that time. In respect of property charged to Lloyds Bank the valuation was updated in June 2017 and the value of the charged stock at 31 March 2019 was £65.2m, valued at EUV-SH.

Strategic Report (continued)

Operating and Financial Review (continued)

The value of stock charged to the Affordable Housing Finance at 31 March 2019 was £8.6m at EUV-SH, based on the valuation that was concluded in January 2015. The value of the stock charged to GB Social Housing was £36.7m valued at Market Value - Subject to Tenancies (MV-ST) at the year end.

Devon County Council Pension Scheme
The Association has a potential unprovided liability for additional pension costs for the Devon County Council Pension Scheme of £1.307m. During 2017/18 a jointly controlled bank account was set up with Devon County Council as the administering authority, to provide this indemnity as a cash deposit. As at the year end the balance in this account was £1.314m.

Statement of compliance
The Board of Management has chosen to early adopt the SORP 2018 and confirms that the Strategic Report has been prepared in accordance with the principles set out in the SORP 2018.

By order of the Board

Robert Stronge
Chair of the Board
16 September 2019

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 has prepared the Group and the Association financial statements in accordance with FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 Group and the Association and of the surplus or deficit of the Group and the Association for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Association and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the Group and the Association 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 Association'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

Robert Strange
Chair of the Board
16 September 2019

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 Corporate Plan;
- the prevention of fraud and safeguarding of assets against unauthorised use or disposition.

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

The Group's assurance framework aligns the assurance monitoring process from Board through to operational level and clearly sets out the reporting framework. This framework supports the robust culture of internal controls within the Group.

The process for identifying, evaluating and managing the risks faced by the Group is ongoing and part of its Risk Management Framework that has been in place throughout the year, up to the date of approval of the annual report and financial statements. The framework is externally reviewed at least annually. The Board receives an update on key risks facing the Group at each meeting and the Audit and Risk Committee receives a detailed report on risk at each quarterly meeting focussing not only on reviewing current risks but also emerging risks. 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 risk appetite and further develop its approach to scenario testing.

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 also to review the Group's risk register, ensure that risk management is embedded within the business, to identify emerging risks, review risk triggers and to track progress against delivery of key Corporate Plan projects. As a result of these controls and reviews of when controls have been effective, for example in the prevention of fraud, the risk register has been updated regularly throughout the year and risks realigned or developed in response to the many changes that the sector has faced.

We continue to develop our customer involvement framework and, as part of this, the customer Scrutiny Panel undertakes a programme of regular reviews into a broad range of service areas. The outcomes are reported to the customer C90 group and ultimately the Board. This approach provides further assurance over performance and key policies which form a key part of the internal control environment.

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 scenario modelling is carried out to model different events and develop contingency plans. A key area of focus during the year has been scenario testing and the preparation and review of contingency plans in respect of the Anchorwood Bank scheme and the potential Brexit impact.

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 and Financial Regulations and are subject to periodic review.

Report of the Board on Internal Control (continued)

Some of the key policies that are established to ensure effective internal control are shown below.

- Anti-Fraud and Anti-Bribery Policy
- Group Code of Conduct
- Group Probity, Hospitality, Gifts and Interests
- Integrity at Work
- Information Security
- Data Protection
- Disciplinary policy
- Money Laundering
- Investment
- Income Collection and Debt Recovery
- Treasury Management Policy (subject to external review annually)
- Whistleblowing
- Health and Safety Policy statement and associated policies

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 governance, 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. A full report on Internal Controls Assurance was provided to the Audit and Risk Committee on 11 March 2019 and the results of the Board's review of that report are the basis of this statement.

The Audit and Risk Committee approves an annual internal audit plan, reviews the effectiveness of internal control systems and has an active role in the promotion and monitoring of standards. 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

Robert Strange
Chair of the Board
16 September 2019

Independent Auditors' report to the members of North Devon Homes

Annual report and financial statements

Opinion

In our opinion, North Devon Homes's group financial statements and parent financial statements ("the financial statements"):

- give a true and fair view of the state of the group's and of the parent's affairs as at 31 March 2019 and of the group's and parent's surplus, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- 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 from April 2019.

We have audited the financial statements, included within the Financial Statements for the year ended 31 March 2019 (the "Annual Report"), which comprise: the consolidated and association statements of financial position as at 31 March 2019; the consolidated and association statements of comprehensive income; the consolidated and association statements of changes in reserves; the consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

Independent Auditors' report to the members of North Devon Homes (continued)

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and parent and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 25, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' report to the members of North Devon Homes (continued)

In preparing the financial statements, the directors are responsible for assessing the group's and parent's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and parent or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Section 128 of the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept for the parent association; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Heather Ancient

Heather Ancient (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

26 September 2019

Consolidated and Association Statements of Comprehensive Income for the year ended 31 March 2019

	Note	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000 (restated)	Association 2018 £'000 (restated)
Turnover	2a	16,158	16,133	15,651	15,632
Operating Expenditure	2a	(11,598)	(11,242)	(12,029)	(11,975)
Gain on disposal of property, plant and equipment	3	810	810	598	598
Operating Surplus		**5,370**	**5,701**	**4,220**	**4,255**
Share of operating surplus in associate	11	5	-	2	-
Interest receivable	4	21	103	90	90
Interest and Financing Costs	5	(4,388)	(4,388)	(4,026)	(4,026)
Surplus/(deficit) on revaluation of investment properties	10c	21	21	40	40
Surplus before taxation	6	**1,029**	**1,437**	**326**	**359**
Taxation	9	-	-	7	7
Surplus for the year		**1,029**	**1,437**	**333**	**366**
Initial recognition of multi-employer defined benefit scheme		(954)	(954)	-	-
Actuarial (loss)/gain in respect of pension schemes	21	(301)	(301)	310	310
Total Comprehensive (expense) / Income for the year		**(226)**	**182**	**643**	**676**

The reason for the statement "restated" is because the Group has chosen to early adopt the SORP 2018 and this has been applied to the financial statements and the prior year comparatives.

Consolidated and Association Statements of Financial Position as at 31 March 2019

Registered number 03674687

	Note	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Fixed assets					
Intangible Assets	10a	345	345	256	256
Tangible fixed assets – Housing Properties	10b	156,607	156,918	152,897	152,897
Other property, plant & equipment	10c	2,095	1,986	1,958	1,844
Total fixed assets		**159,047**	**159,249**	**155,111**	**154,997**
Investments					
Investment Properties	10c	1,962	1,962	2,499	2,499
Investment in Subsidiary	11	-	2,300	-	2,300
Investment in Associates	11	111	5	106	5
Other investments	11	337	337	317	317
		2,410	**4,604**	**2,922**	**5,121**
Debtors due after more than one year	12	**-**	**3,151**	**-**	**2,451**
Total investments and debtors due after more than one year		**2,410**	**7,755**	**2,922**	**7,572**
Current assets					
Debtors	12	1,757	1,685	1,918	1,676
Stock	13	10,933	1,106	5,156	201
Cash and cash equivalents		2,544	2,371	5,960	5,153
Total current assets		**15,234**	**5,162**	**13,034**	**7,030**
Creditors: amounts falling due within one year	14	(4,112)	(3,643)	(3,903)	(3,805)
Net current assets		**11,122**	**1,519**	**9,131**	**3,225**
Total assets less current liabilities		**172,579**	**168,523**	**167,164**	**165,794**
Creditors: amounts falling due after more than one year	15	(111,391)	(106,995)	(107,041)	(105,739)
Defined Benefit pension liability	21	(5,544)	(5,544)	(4,328)	(4,328)
Net assets		**55,644**	**55,984**	**55,795**	**55,727**
Capital and Reserves					
Income & Expenditure reserve		11,321	11,661	11,547	11,479
Revaluation reserve		44,323	44,323	44,238	44,238
Restricted reserve		-	-	10	10
		55,644	**55,984**	**55,795**	**55,727**

These financial statements together with the associated notes on pages 36 to 72 were approved and authorised for issue by the Board on 16 September 2019 and were signed on its behalf by:

Robert Stronge
Chair

Philippa Butler
Company Secretary

Consolidated Statement of Cash Flows for the year ended 31 March 2019

	Note	Group 2019 £'000	Group 2018 £'000
Net cash generated from operating activities	16	**1,939**	**6,444**
Cash flows from Investing Activities:			
Purchase of tangible fixed assets		(7,996)	(9,327)
Proceeds from sale of tangible fixed assets		1,916	1,620
RTB Sharing Agreement		(467)	(386)
Proceeds from sale of investment property		735	-
Grant received		477	1,057
Interest received		21	25
Net cash used in investing activities		**(3,375)**	**(7,011)**
Cash flows from Financing Activities:			
Interest paid		(4,364)	(4,129)
New secured loans		4,343	-
Investments		(20)	-
Net cash used in financing activities		**(41)**	**(4,129)**
Net decrease in cash and cash equivalents		(3,416)	(4,696)
Cash and cash equivalents at beginning of year		5,960	10,656
Cash and cash equivalents at end of year		**2,544**	**5,960**

Consolidated Statement of Changes in Reserves for the year ended 31 March 2019

Group	Income and Expenditure Reserve £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2017	10,904	44,238	73	55,215
Surplus from Statement of Comprehensive Income for the year	333	-	-	333
Actuarial gain in respect of pension schemes	310	-	-	310
Transfer of restricted expenditure from restricted reserve	-	-	(63)	(63)
Balance as at 31 March 2018	**11,547**	**44,238**	**10**	**55,795**
Surplus from Statement of Comprehensive Income for the year	1,029	-	-	1,029
Unrealised surplus on revaluation of Fixed Assets	-	85	-	85
Actuarial loss in respect of pension schemes	(301)	-	-	(301)
Transfer of restricted expenditure from restricted reserve	-	-	(10)	(10)
Other Comprehensive expense for the year	(954)	-	-	(954)
Balance as at 31 March 2019	**11,321**	**44,323**	**-**	**55,644**

Association Statement of Changes in Reserves for the year ended 31 March 2019

Association	Income and Expenditure Reserve £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2017	**10,803**	**44,238**	**73**	**55,114**
Surplus from Statement of Comprehensive Income for the year	366	-	-	366
Actuarial gain in respect of pension schemes	310	-	-	310
Transfer of restricted expenditure from restricted reserve	-	-	(63)	(63)
Balance as at 31 March 2018	**11,479**	**44,238**	**10**	**55,727**
Surplus from Statement of Comprehensive Income for the year	1,437	-	-	1,437
Unrealised surplus on revaluation of Fixed Assets	-	85	-	85
Actuarial loss in respect of pension schemes	(301)	-	-	(301)
Other Comprehensive expense for the year	(954)	-	-	(954)
Transfer of restricted expenditure from restricted reserve	-	-	(10)	(10)
Balance as at 31 March 2019	**11,661**	**44,323**	**-**	**55,984**

Notes to the financial statements for the year ended 31 March 2019

1 Accounting Policies

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

Significant accounting policies
The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation
The Housing Statement of Recommended Practice (SORP) for Registered Social Housing Providers was updated in 2018 to reflect the changes to FRS102 resulting from the Financial Reporting Council's triennial review 2017 amendments. The Group has chosen to early adopt the SORP 2018 and so any changes have been applied to the financial statements and the prior year comparatives restated. The key change is that gains from disposal or property, plant and equipment are now shown within the operating surplus in the Statement of Comprehensive Income.

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 2018 ('SORP 2018') and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

North Devon Homes meets the definition of a qualifying entity under FRS102. The following exemptions available under FRS102 in respect of certain disclosures have been applied:

- the requirement to present a separate statement of cash flows and related notes for the Association;
- financial instrument disclosures as the information is provided in the consolidated disclosures.

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 Board continues to believe that the Group and Association are well place to manage their business risks successfully and that it has adequate financial resources based on current forecasts, to continue in operational existence for the foreseeable future. The Board has therefore continued to adopt the going concern basis in preparing its financial statements.

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 Statement of Financial Position 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 have had the most significant effect on amounts recognised in the financial statements:

Notes to the financial statements for the year ended 31 March 2019 (continued)

1 Accounting Policies (continued)

Significant Judgements and key sources of estimation uncertainty (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 the development scheme is confirmed, usually when Board approval has taken place, including that there is 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 has considered the detailed criteria set out in the SORP.

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

Other key sources of estimation:

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
Investment properties are carried 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 31 March 2019. 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 Statement of Financial Position. The assumptions reflect historical experience and current trends. Further details are given in note 21.

Notes to the financial statements for the year ended 31 March 2019 (continued)

1 Accounting Policies (continued)

Significant Judgements and key sources of estimation uncertainty (continued)

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.

In July 2015 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 from housing properties, and the Group has 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 Homes England, recognised in income on a systematic basis; income from first tranche shared ownership sales and 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 is recognised when legal completion occurs.

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; and
(b) any liabilities under Right to Buy sharing agreements with the local authority.

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

Notes to the financial statements for the year ended 31 March 2019 (continued)

1 Accounting Policies (continued)

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.

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

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

Capital expenditure on schemes which are aborted is charged to the 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 the borrowings 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:

Notes to the financial statements for the year ended 31 March 2019 (continued)

1 Accounting Policies (continued)

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 and ground source heating	20
Electrics/rewires	30	Lifts	25
Gas boilers	15	Roofs	75
Biomass boilers	25		

Housing properties (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.

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 the 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.

Notes to the financial statements for the year ended 31 March 2019 (continued)

1 Accounting Policies (continued)

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.

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.

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 other than investment properties
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

Intangible assets in the process of development are not amortised.

Notes to the financial statements for the year ended 31 March 2019 (continued)

1 Accounting Policies (continued)

Stock and work in progress
Stock and work in progress 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.

Long term contracts
Where the substance of a contract is that the contractual obligations are performed gradually over time, revenue and costs are recognised as the contract activity progresses to reflect the partial performance of contractual obligations.

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.

Finance leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower the present value of minimum lease payments) at the inception of the lease. The corresponding liability is included in the statement of financial position within long term creditors. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability.

Rental payments are charged as expenses in the periods in which they are incurred.

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 Limited 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 Statement of Financial Position 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 Statement of Financial Position 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.

Notes to the financial statements for the year ended 31 March 2019 (continued)

1 Accounting Policies (continued)

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 Limited 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.

Pensions
Retirement benefits to employees are provided by the Social Housing Pension Scheme ("SHPS") defined contribution scheme and the Local Government Pension Scheme ("LGPS") (administered by Devon County Council Pensions) defined benefit pension scheme, details of which are given in note 21. Past service retirement benefits to employees are also provided by the SHPS defined benefit schemes, details of which are given in note 21. Pension costs accounted for as defined benefit schemes are in accordance with FRS102 (section 28).

Defined contribution scheme
The Association participates in the SHPS 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.

Defined benefit schemes
SHPS
The Association also contributes to the SHPS defined benefit schemes for past service retirement benefits (as the scheme is closed to future accrual). Following changes to scheme disclosure during the year it is now possible for individual employers to identify their share of the assets and liabilities of the scheme. The amounts charged to operating surplus are the costs arising from employee services previously rendered and the cost of 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. Re-measurement, comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) is recognised immediately in other comprehensive income.

LGPS
The Association participates in the LGPS which is a multi-employer defined benefit 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 charged 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. Re-measurement, comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) is 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.

Notes to the financial statements for the year ended 31 March 2019 (continued)

1 Accounting Policies (continued)

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.

Provisions
Provisions are recognised when the Group 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 were needed to meet the requirements of the Big Lottery for the duration of the youth project, which concluded at the end of April 2018. Income and expenditure for the year is included under other operating activities within the Statement of Comprehensive Income.

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 or deficit.

Related parties
The Group discloses transactions with related parties which are not wholly owned subsidiaries.

Notes to the financial statements for the year ended 31 March 2019 (continued)

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

Income and expenditure from general needs lettings	2019			2018		
	Turnover	Operating Costs	Operating Surplus /(Deficit)	Turnover	Operating Costs	Operating Surplus /(Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings (note 2b)	14,809	(10,373)	4,436	14,591	(11,166)	3,425
Other social housing activities:						
Current asset property sales	180	(74)	106	-	-	-
Charges for support services	64	(301)	(237)	65	(282)	(217)
Non-social housing activities						
Other activities	1,076	(764)	312	781	(456)	325
Restricted fund (Big Lottery)	10	(86)	(76)	155	(125)	30
Other grants	19	-	19	59	-	59
Total	16,158	(11,598)	4,560	15,651	(12,029)	3,622

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

Income and expenditure from general needs lettings	2019			2018		
	Turnover	Operating Costs	Operating Surplus /(Deficit)	Turnover	Operating Costs	Operating Surplus /(Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings (note 2b)	14,809	(10,373)	4,436	14,591	(11,166)	3,425
Other social housing activities:						
Current asset property sales	180	(74)	106	-	-	-
Charges for support services	64	(301)	(237)	65	(282)	(217)
Non-social housing activities						
Other activities	1051	(408)	643	762	(403)	359
Restricted fund (Big Lottery)	10	(86)	(76)	155	(124)	31
Other grants	19	-	19	59	-	59
Total	16,133	(11,242)	4,891	15,632	(11,975)	3,657

Notes to the financial statements for the year ended 31 March 2019 (continued)

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

	General needs	Supported Housing	2019 Total	2018 Total
	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	12,157	1,989	**14,146**	13,969
Service charge income	117	405	**522**	492
Amortised Government Grants	141	-	**141**	130
Turnover from social housing lettings	**12,415**	**2,394**	**14,809**	14,591
Expenditure on lettings:				
Management	(1,227)	(274)	**(1,501)**	(1,611)
Service charge costs	(379)	(397)	**(776)**	(742)
Routine maintenance	(2,358)	(576)	**(2,934)**	(2,595)
Planned maintenance	(767)	(175)	**(942)**	(1,243)
Major repairs expenditure	(736)	(552)	**(1,288)**	(1,737)
Bad debts	(37)	(24)	**(61)**	(28)
Depreciation of housing properties	(2,412)	(398)	**(2,810)**	(3,139)
Other costs	(61)	-	**(61)**	(71)
Operating expenditure on Social Housing Lettings	**(7,977)**	**(2,396)**	**(10,373)**	(11,166)
Operating surplus/(deficit) on social housing lettings	**4,438**	**(2)**	**4,436**	3,425
Void losses	(37)	(78)	**(115)**	(78)

Notes to the financial statements for the year ended 31 March 2019 (continued)

3 Gain on disposal of property, plant and equipment

Group and Association	Right to Buy Sales £'000	Right to Acquire Sales £'000	Strategic Sales £'000	Other disposals £'000	2019 £'000	2018 £'000
Proceeds of sales (gross)	**613**	**150**	**1,888**	**-**	**2,651**	1,620
Less costs of sales	**(324)**	**(36)**	**(1,167)**	**-**	**(1,527)**	(558)
	289	**114**	**721**	**-**	**1,124**	1,062
NDC sharing of proceeds agreement	**(314)**	**-**	**-**	**-**	**(314)**	(464)
(Deficit)/Surplus on disposal	**(25)**	**114**	**721**	**-**	**810**	598

The Group has chosen to early adopt the SORP 2018. Gains from disposal of property, plant and equipment are now shown within the operating surplus in the Statement of Comprehensive Income.

4 Interest receivable

	Group 2019 £'000	Association 2019 £'000	Group and Association 2018 £'000
Interest receivable	**21**	**103**	90

5 Interest and financing costs

Group and Association	2019 £'000	2018 £'000
Net Interest on defined benefit liability pension (see note 21)	**132**	107
Interest payable	**4,196**	3,903
Funding Management Charge	**126**	133
	4,454	4,143
Borrowing costs capitalised	**(66)**	(117)
	4,388	4,026

Notes to the financial statements for the year ended 31 March 2019 (continued)

6 Surplus before taxation

	Group 2019 £'000	Association 2019 £'000	Group and Association 2018 £'000
Surplus on ordinary activities before taxation is stated after charging:			
Depreciation of tangible fixed assets	**2,903**	**2,898**	3,255
Amortisation of intangible fixed assets	**13**	**13**	-
Auditors' remuneration:			
- Statutory Audit	**31**	**24**	26
- Taxation compliance services	**11**	**6**	5
- Other services	**12**	**12**	9
Other operating lease rentals	**72**	**72**	76

7 Directors' remuneration and transactions

Group and Association

Key management personnel are the Executive Team who oversee the day-to-day operational running and, working with the Board (Non-Executive Directors) and wider colleagues, identify and execute the Group's strategic direction. They are detailed on page 3 of these financial statements.

The remuneration paid to the Executive Team and the Non-Executive Directors during the year was as follows:

Group and Association

Executive Team	Salary £	Other emoluments £	Pension £	2019 Total £	2018 Total £
Chief Executive M Gimber	125,563	4,857	9,125	**139,545**	137,136
Director of Neighbourhoods M Rostock	91,317	4,504	6,704	**102,525**	100,792
Finance Director P Butler	90,873	4,504	6,364	**101,741**	100,051
Total	**307,753**	**13,865**	**22,193**	**343,811**	**337,979**

Notes to the financial statements for the year ended 31 March 2019 (continued)

7 Directors' remuneration and transactions (continued)

For the previous year ending 31 March 2018, provision for the payment of Directors' remuneration was made pending the agreement of Board member pay for the North Devon Homes Group. This was agreed during the year and payments totalling £62k were paid to Board members as set out below.

Non-Executive Directors

	Group 2019 £	**Association 2019** £	Group 2018 (provision) £	Association 2018 (provision) £
R Stronge (Chair)	**13,142**	**13,142**	8,500	8,500
A Butt *	**9,988**	**7,155**	6,700	4,700
D Ash	**4,208**	**4,208**	3,000	3,000
J Barrah*	**7,041**	**4,208**	2,986	2,581
S Goodman	**4,208**	**4,208**	2,581	2,581
D Hay	**4,208**	**4,208**	2,581	2,581
S Ingman	**4,208**	**4,208**	2,581	2,581
D Lloyd-Evans*	**7,041**	**4,208**	4,302	2,581
S Murray*	**7,041**	**4,208**	5,000	3,000
P Oldroyd	**7,013**	**7,013**	1,800	1,800
Total	**68,098**	**56,766**	**40,031**	**33,905**

* *non-executive directors who were also non-executive directors of Anchorwood Limited.*

Expenses paid during the year to Board Members amounted to £10,403 (2018: £2,024).

No Non-Executive Directors participate in the pension scheme. The three members of the Executive Team are ordinary members of the pension scheme. No enhanced or special terms apply.

Notes to the financial statements for the year ended 31 March 2019 (continued)

8 Employee Information

Group and Association

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

	2019 No.	2018 No.
Office staff	**81**	74
Maintenance staff	**22**	19
Wardens, caretakers and cleaners	**12**	13
	115	106

Staff costs for the above employees	2019 £'000	2018 £'000
Wages and salaries	**3,299**	3,091
Social security costs	**309**	295
Pension costs	**280**	255
	3,888	3,641

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

	2019 No.	2018 No.
Remuneration between £60k and £70k	**1**	-
Remuneration between £70k and £80k	**1**	-
Remuneration between £80k and £90k	**-**	-
Remuneration between £90k and £100k	**-**	2
Remuneration between £100k and £110k	**2**	-
Remuneration between £120k and £130k	**-**	1
Remuneration between £130k and £140k	**1**	-

Notes to the financial statements for the year ended 31 March 2019 (continued)

9 Taxation

The tax charge comprises:

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Current tax	-	-	-	-
Adjustment in respect of previous periods	-	-	(7)	(7)
Total tax per income statement	-	-	(7)	(7)

The charge for the year can be reconciled to the profit per the income statement as follows:

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Profit for the period	**1,261**	**1,437**	326	359
Tax on profit at standard UK tax rate of 19% (2018: 19%)	**240**	**273**	62	68
Effects of:				
Expenses not deductible	**2,951**	**2,950**	3,017	3,016
Income not taxable	**(3,223)**	**(3,223)**	(3,084)	(3,084)
Losses	**32**	-	5	-
Adjustment from previous periods	-	-	(7)	(7)
Tax for the period	-	-	(7)	(7)

Notes to the financial statements for the year ended 31 March 2019 (continued)

10a Intangible assets

Group and Association

	Computer Software £'000	Total £'000
Cost		
As at 1 April 2018	256	**256**
Additions	102	**102**
As at 31 March 2019	358	358
Accumulated amortisation		
As at 1 April 2018	-	-
Charge for the year	13	**13**
As at 31 March 2019	13	**13**
Net book value as at 31 March 2019	345	**345**
Net book value as at 31 March 2018	256	**256**

Intangible assets are software projects which are amortised on completion in accordance with the accounting policy in note 1 (page 36).

Notes to the financial statements for the year ended 31 March 2019 (continued)

10b Tangible fixed assets - Housing Properties

Group

	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 2018	4,612	158,391	2,934	165,937
Additions	3,305	2,853	499	6,657
Component additions/replacements	-	1,019	-	1,019
Disposals	-	(1,465)	-	(1,465)
Transfers	(4,114)	4,114	-	-
As at 31 March 2019	**3,803**	**164,912**	**3,433**	**172,148**
Accumulated depreciation				
As at 1 April 2018	-	12,792	71	12,863
Charge for the year (including accelerated depreciation)	-	2,789	21	2,810
Disposals	-	(309)	-	(309)
As at 31 March 2019	**-**	**15,272**	**92**	**15,364**
Accumulated impairment				
As at 1 April 2018	-	177	-	177
Charge for the year	-	-	-	-
As at 31 March 2019	-	177	-	177
Net book value as at 31 March 2019	**3,803**	**149,463**	**3,341**	**156,607**
Net book value as at 31 March 2018	4,612	145,422	2,863	152,897

Notes to the financial statements for the year ended 31 March 2019 (continued)

10b Tangible fixed assets - Housing Properties (continued)

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 2018	4,612	158,391	2,934	165,937
Additions	3,616	2,853	499	6,968
Component additions/replacements	-	1,019	-	1,019
Disposals	-	(1,465)	-	(1,465)
Transfers	(4,114)	4,114	-	-
As at 31 March 2019	**4,114**	**164,912**	**3,433**	**172,459**
Accumulated depreciation				
As at 1 April 2018	-	12,792	71	12,863
Charge for the year (including accelerated depreciation)	-	2,789	21	2,810
Disposals	-	(309)	-	(309)
As at 31 March 2019	**-**	**15,272**	**92**	**15,364**
Accumulated impairment				
As at 1 April 2018	-	177	-	177
Charge for the year	-	-	-	-
As at 31 March 2019	-	177	-	177
Net book value as at 31 March 2019	**4,114**	**149,463**	**3,341**	**156,918**
Net book value as at 31 March 2018	4,612	145,422	2,863	152,897

Notes to the financial statements for the year ended 31 March 2019 (continued)

10c Other Property, Plant & Equipment

Group

	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 2018	2,499	1,879	207	961	275	5,821
Additions	177	15	85	45	-	322
Revaluation	21	85	-	-	-	106
Disposals	(735)	-	-	-	(42)	(777)
As at 31 March 2019	**1,962**	**1,979**	**292**	**1,006**	**233**	**5,472**
Accumulated depreciation						
As at 1 April 2018	-	420	82	590	272	1,364
Charge for the year	-	33	-	60	-	93
Disposals	-	-	-	-	(42)	(42)
As at 31 March 2019	**-**	**453**	**82**	**650**	**230**	**1,415**
Net book value as at 31 March 2019	**1,962**	**1,526**	**210**	**356**	**3**	**4,057**
Net book value as at 31 March 2018	2,499	1,459	125	371	3	4,457

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 2019 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 2019 by both Webbers and Vickery Holman Limited, 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 2019 (continued)

10c Other Property, Plant & Equipment (continued)

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 2018	2,499	1,879	207	842	275	5,702
Additions	177	15	85	45	-	322
Revaluation	21	85	-	-	-	106
Disposals	(735)	-	-	-	(42)	(777)
As at 31 March 2019	**1,962**	**1,979**	**292**	**887**	**233**	**5,353**
Accumulated depreciation						
As at 1 April 2018	-	420	82	585	272	1,359
Charge for the year	-	33	-	55	-	88
Disposals	-	-	-	-	(42)	(42)
As at 31 March 2019	**-**	**453**	**82**	**640**	**230**	**1,405**
Net book value as at 31 March 2019	**1,962**	**1,526**	**210**	**247**	**3**	**3,948**
Net book value as at 31 March 2018	2,499	1,459	125	257	3	4,343

Notes to the financial statements for the year ended 31 March 2019 (continued)

11 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 Westacott Road Barnstaple Devon EX32 8TA	Company 100%	Non-regulated	Property development

Investments	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Investment in Advantage South West LLP	**111**	**5**	106	5
Investment in Plough and Share Credit Union	**10**	**10**	10	10
Investment in Anchorwood Limited	**-**	**2,300**	-	2,300
Investment in MORHomes PLC	**20**	**20**	-	-
Investment in Affordable Housing Finance PLC	**307**	**307**	307	307
	448	**2,642**	423	2,622

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 2019 was £111k (2018: £106k) and share of surpluses for the year was £5k (2018: £2k).

Plough and Share Credit Union (in administration): 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 2019 were £2.090m (2018: £2.265m) and loss for the year ended 31 March 2019 was £175k (2018: £33k).

MORHomes PLC: The Group's investment represents 20,000 ordinary shares of £0.10 each.

Registered office addresses for the investment companies are:

Advantage South West LLP, Yarlington Housing Group, Lupin Way, Alvington, Yeovil, Somerset BA22 8WN

Plough and Share Credit Union, 1 East Street, South Molton, Devon EX36 3BN

MORHomes PLC, 30 Stamford Street, London, SE1 9LQ

Affordable Housing Finance PLC, 3rd Floor, 17 St. Swithin's Lane, London, EC4N 8AL

Notes to the financial statements for the year ended 31 March 2019 (continued)

12 Debtors

	Group	**Association**	Group	Association
	2019	**2019**	2018	2018
	£'000	**£'000**	£'000	£'000
Amounts falling due within one year:				
Rental arrears	**180**	**180**	135	135
Less provisions for bad debts	**(136)**	**(136)**	(101)	(101)
	44	**44**	34	34
Prepayments and accrued income	**217**	**217**	168	168
Other debtors	**1,496**	**1,424**	1,716	1,474
	1,757	**1,685**	1,918	1,676

Included in other debtors is £1.314m (2018: £1.307m) being the value of the Local Government Pension Scheme indemnity that is held in a jointly controlled bank account with Devon County Council as the administering authority.

	Group	**Association**	Group	Association
Amounts falling due after one year:	**2019**	**2019**	2018	2018
	£'000	**£'000**	£'000	£'000
Amounts owed by subsidiary company	-	**3,151**	-	2,451

Included in amounts falling due after one year is £143k owed to the Association by Anchorwood Limited, relating to the purchase of photovoltaic panels on 31 March 2017, which is held as a long-term intercompany debt with no repayment date.

The intercompany loan balance at the end of the year was £3.008m (2018: £2.308m). The loan facility at the end of the year was £3.942m (2018: £3.538m) and is repayable in August 2020. Interest is payable at base rate plus 2.25% (2018: 2.25%).

13 Stock

	Group	**Association**	Group	Association
	2019	**2019**	2018	2018
	£'000	**£'000**	£'000	£'000
Properties held for sale	**691**	**691**	-	-
Work in progress	**10,527**	**415**	5,156	201
Amount recognised to cost of sales	**(285)**	-	-	-
	10,933	**1,106**	5,156	201

Notes to the financial statements for the year ended 31 March 2019 (continued)

14 Creditors: amounts falling due within one year

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Rent and other receipts in advance	**542**	**542**	423	423
Trade creditors	**66**	**21**	286	207
Amounts due under Right to Buy sharing agreement	**317**	**317**	467	467
Social Housing Grant received in advance	**158**	**158**	-	-
Other taxation and social security	**332**	**332**	132	132
Interest accruals	**41**	**41**	647	647
Accruals and deferred income	**2,656**	**2,232**	1,948	1,929
	4,112	**3,643**	3,903	3,805

15 Creditors: amounts falling due after more than one year

Group and association

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Loans	**96,404**	**93,310**	92,252	92,252
Social Housing Grant Received in advance	**13,665**	**13,665**	13,487	13,487
Finance Lease Liability	**20**	**20**	-	-
Other creditors	**1,302**	**-**	1,302	-
	111,391	**106,995**	107,041	105,739
Defined Benefit Pension Schemes	**5,544**	**5,544**	4,328	4,328
	116,935	**112,539**	111,369	110,067

Other creditors represent S106 public open space and education monies that are due to be paid in later years as sale units are completed.

Notes to the financial statements for the year ended 31 March 2019 (continued)

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

Debt Analysis

Group and association	Group	Association	Group	Association
Loans	**2019 £'000**	**2019 £'000**	2018 £'000	2018 £'000
Expiring in more than one year but less than 2 years	-	-	-	-
Expiring in two years or more but less than 5 years	**4,343**	**1,250**	-	-
Expiring in more than 5 years	**92,061**	**92,060**	92,252	92,252
	96,404	**93,310**	92,252	92,252

The weighted average period for which interest rates are fixed is 22 years. All loans are repayable at the end of their fixed rate term. The weighted average total interest rate for all loans was 5.12% (2018: 4.83%). Loan values include £430k capitalised fees which are amortised on a straight line basis and £6,059k of loan premium amortised on a discounted cashflow basis.

The Group has one Finance Lease, with ITEC printers.

	Group	Association	Group	Association
Finance Lease Liability	**2019 £'000**	**2019 £'000**	2018 £'000	2018 £'000
At 1 April	-	-	-	-
Additions	**20**	**20**	-	-
At 31 March	**20**	**20**	-	-

	Group	Association	Group	Association
Deferred Income – Government Grants	**2019 £'000**	**2019 £'000**	2018 £'000	2018 £'000
At 1 April	**13,487**	**13,487**	12,550	12,550
Grants receivable	**477**	**477**	1,067	1,067
Amortisation to Statement of Comprehensive Income	**(141)**	**(141)**	(130)	(130)
At 31 March	**13,823**	**13,823**	13,487	13,487

	Group	Association	Group	Association
	2019 £'000	**2019 £'000**	2018 £'000	2018 £'000
Amounts to be released within one year	**158**	**158**	141	141
Amounts to be released in more than one year	**13,665**	**13,665**	13,346	13,346
	13,823	**13,823**	13,487	13,487

Notes to the financial statements for the year ended 31 March 2019 (continued)

16 Statement of Cash flows
Cash flow from operating activities

	Group 2019 £'000	Group 2018 £'000
Surplus for the year	1,029	333
Adjustment for non-cash items:		
Depreciation of tangible fixed assets	2,903	3,255
Amortisation of intangible assets	13	-
(Increase) in stock	(5,777)	(524)
Decrease / (increase) in trade and other debtors	159	(1,438)
Increase/(decrease) in trade and other creditors	201	1,548
Pensions costs less contributions payable	(40)	(40)
Abortive costs written off	61	71
Share of operating deficit in associate	(5)	(2)
Adjustments for investing or financing activities		
Proceeds from sale of property, plant and equipment	(810)	(598)
Decrease in fair value of investment property	(21)	40
Government Grants utilised in the year	(141)	(130)
Interest Paid	4,388	4,026
Interest Received	(21)	(90)
Taxation	-	(7)
Net cash generated from operating activities	**1,939**	**6,444**

Notes to the financial statements for the year ended 31 March 2019 (continued)

17 Financial Commitments

Capital commitments are as follows:

	Group	**Association**	Group	Association
	2019	**2019**	2018	2018
	£'000	**£'000**	£'000	£'000
Contracted for but not provided for in the financial statements	**21,066**	**4,812**	12,396	9,405
Future expenditure approved by Directors but not contracted for at the year end	**1,699**	**1,699**	18,694	7,373

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**	Group	Association
	2019	**2019**	2018	2018
	£'000	**£'000**	£'000	£'000
Payments due:-				
- Within one year	**77**	**77**	51	51
- Between one and five years	**82**	**82**	76	76
	159	**159**	127	127

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**	Group	Association
Debt instruments measured at amortised cost	**2019**	**2019**	2018	2018
	£'000	**£'000**	£'000	£'000
Cash & Cash equivalents	**2,544**	**2,371**	5,960	5,153
Debtors	**1,540**	**1,468**	3,193	1,651
	4,084	**3,839**	9,153	6,804

Notes to the financial statements for the year ended 31 March 2019 (continued)

18 Financial Instruments (continued)

Financial liabilities:	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Borrowings:				
Housing Loans at amortised cost	96,404	93,310	92,252	92,252
Total Borrowings	96,404	93,310	92,252	92,252
Other financial liabilities:				
Trade creditors	66	21	429	207
Accruals and other creditors	3,014	2,590	4,441	3,120
Finance leases	20	20	-	-
Total	3,100	2,631	4,870	3,327

Interest income and expense

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Total interest income for financial assets at amortised cost	21	103	90	90
Total interest expense for financial liabilities at amortised cost	4,388	4,388	4,026	4,026

19 Housing Stock

Group and Association

	2019 Units	2018 Units
Social housing		
General needs housing:		
• social rent	2,275	2,271
• affordable rent	426	397
• intermediate rent	14	14
Housing for older people	511	511
Low cost home ownership	56	48
Total owned	3,282	3,241
Accommodation managed for others	20	24
Total managed	3,302	3,265
Non-social housing		
Accommodation let at market rent	7	10
Leasehold accommodation	89	95
Total owned and managed	3,398	3,370

There were 2,517 (2018: 2,784) properties with a fixed charge as at 31 March 2019.

Notes to the financial statements for the year ended 31 March 2019 (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 2019. A total of £4,600 was chargeable rent and service charges to Tenant Board members during the year.

During the year one Executive Officer was a Board member of Advantage South West ("ASW") in which the Association has a 25% shareholding. The Group's share of the operating surplus in the year was £5k (2018: £2k deficit). The Association paid membership fees to ASW of £13k (2018: £15k) and there were no amounts owed to ASW at 31 March 2019 (2018: £nil).

North Devon Homes worked with Plough and Share Credit Union. In June 2017 the Plough and Share Credit Union went into liquidation. As at 31 March 2019 North Devon Homes' investment in Plough and Share Credit Union was £10k (2018: £10k) of deferred shares.

The Association has an investment of £2,300k (2018: £2,300k) in the share capital of its non-regulated subsidiary Anchorwood Limited and £3,009k (2018: £2,308k) in loans.

Notes to the financial statements for the year ended 31 March 2019 (continued)

21 Pensions

Retirement benefits to employees are provided by the Social Housing Pension Scheme (SHPS) and the Local Government Pension Scheme (LGPS) which is administered by Devon County Council Pensions. The pension costs for the year were:

	2019 £'000	2018 £'000
Devon County Council		
Current service cost	**73**	74
Administration Expenses	**3**	2
	76	76
Social Housing Pension Scheme		
Employer contributions	**189**	780
Re-measurements	**-**	(12)
Defined Benefit scheme surcharge	**-**	11
Administration Expenses	**15**	-
	204	179
Total payments	**280**	255

The actuarial gains and losses in respect of the pension schemes for the year were:

	2019 £'000	2018 £'000
Actuarial gain / (loss)		
Devon County Council	**190**	310
Social Housing Pension Scheme	**(491)**	-
	(301)	310

Devon County Council Pension Fund (DCCPF)

The DCCPF is a multi-employer scheme, administered in accordance with the Local Government Pension regulations, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016 and rolled forward, allowing for the different financial assumptions required under FAS 102, to 31 March 2019 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2019 is £3,302k (2018: £3,434k).

Notes to the financial statements for the year ended 31 March 2019 (continued)

21 Pensions (continued)

Devon County Council Pension Scheme (DCCPF) (continued)

The employer's contributions to the DCCPF by the association for the year ended 31 March 2019 were £104k (2018: £101k) at a contribution rate of 19.7% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2020 has been set at 19.7%. Estimated employer's contributions to the DCCPF during the accounting period commencing 1 April 2019 are £104k.

Statement of financial position

Net pension asset as at	2019 £'000	2018 £'000
Present value of the defined benefit obligation	7,794	7,869
Fair value of Fund assets (bid value)	4,526	4,470
Deficit / (Surplus)	**3,268**	3,399
Present value of unfunded obligation	34	35
Net defined benefit liability	**3,302**	3,434

Reconciliation of opening and closing balances of the present value of scheme liabilities	2019 £'000	2018 £'000
Opening scheme liabilities	**7,904**	8,125
Current service cost	73	74
Interest cost	198	208
Change in financial assumptions	355	(247)
Change in demographic assumptions	(414)	-
Estimated benefits paid net of transfers in	(301)	(269)
Contributions by Scheme participants and other employers	15	15
Unfunded pension payments	(2)	(2)
Closing scheme liabilities	**7,828**	7,904

Notes to the financial statements for the year ended 31 March 2019 (continued)

21 Pensions (continued)

Devon County Council Pension Scheme (DCCPF) (continued)

Reconciliation of opening and closing balances of the fair value of plan assets	**31 Mar 2019 £'000**	31 Mar 2018 £'000
Opening fair value of plan assets	**4,470**	4,448
Interest on assets	**112**	114
Return on assets less interest	**131**	65
Administration expenses	**(3)**	(2)
Contributions by employer including unfunded	**104**	101
Contributions by Scheme participants and other employers	**15**	15
Estimated benefits paid plus unfunded net of transfers in	**(303)**	(271)
Closing fair value of plan assets	**4,526**	**4,470**

Amounts recognised in statement of comprehensive income	**31 Mar 2019 £'000**	31 Mar 2018 £'000
Current service cost	**73**	74
Administration expenses	**3**	2
Amounts charged to operating costs	**76**	76
Net interest (charged to other finance costs)	**86**	94
Total loss	**162**	170

Re-measurements in other comprehensive income

Re-measurement of the net assets / (defined liability)	**31 Mar 2019 £'000**	31 Mar 2018 £'000
Return on Fund assets in excess of interest	**131**	65
Change in financial assumptions	**(355)**	245
Change in demographic assumptions	**414**	-
Re-measurement of the net assets / (defined liability)	**190**	310

Notes to the financial statements for the year ended 31 March 2019 (continued)

21 Pensions

Devon County Council Pension Scheme (DCCPF) (continued)

Principal actuarial assumptions:

Financial assumptions	31 Mar 2019 % pa	31 Mar 2018 % pa
Discount rate	**2.35**	2.55
Future salary increases	**3.95**	3.85
Future pension increases	**2.45**	2.35
Inflation assumption (RPI)	**3.45**	3.35
Inflation assumption (CPI)	**2.45**	2.35

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2019 and March 2018 are based on the S2PA tables. The assumed life expectations on retirement at age 65 are:

	31 Mar 2019 no. of years	31 Mar 2018 no. of years
Males retiring today	**22.4**	23.5
Females retiring today	**24.4**	25.6
Males retiring in 20 years	**24.1**	25.7
Females retiring in 20 years	**26.2**	27.9

The estimated asset allocation for North Devon Homes as at 31 March 2019 is:

Asset breakdown	31 March 2019 £000s	31 March 2019 %	31 March £000s	31 March 2018 %
Gilts	**156**	**3**	141	3
UK equities	**752**	**17**	958	21
Overseas equities	**1,946**	**43**	1,654	37
Property	**400**	**9**	416	9
Infrastructure	**166**	**3**	160	4
Target return portfolio	**641**	**14**	668	15
Cash	**72**	**2**	109	2
Other bonds	**80**	**2**	91	2
Alternative assets	**239**	**5**	243	5
Private equity	**74**	**2**	30	1
Total	**4,526**	**100**	4,470	100

The individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%.

Notes to the financial statements for the year ended 31 March 2019 (continued)

21 Pensions (continued)

Social Housing Pension Scheme (SHPS)

For the year ended 31 March 2018, the SHPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits was recognised as a liability within other creditors in the association's financial statements. The net present value of £894k was recognised within creditors for this contractual obligation for the year ended 31 March 2018.

For the year ended 31 March 2019, sufficient information is available for the association in respect of SHPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2018 is £1,848k and £2,242k as at 31 March 2019.

The proposals set out in FRED 71 require the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a re-measurement difference of £954k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

	2018 £'000
Past service deficit as at 1 April de-recognised	894
Net pension scheme deficit benefit accounting as at 1 April	(1,848)
Loss recognised in other comprehensive income on initial recognition as at 1 April	(954)

Statement of financial position

Net pension asset	**31 Mar 2019 £'000**
Present value of scheme liabilities	**8,477**
Fair value of plan assets	**6,235**
Net defined benefit liability	**2,242**

Notes to the financial statements for the year ended 31 March 2019 (continued)

21 Pensions (continued)

Social Housing Pension Scheme (SHPS) (continued)

Reconciliation of opening and closing balances of the present value of scheme liabilities	**£'000**
Opening scheme liabilities as at 1 April 2018	**7,853**
Current service cost	-
Expenses	7
Interest expense	203
Actuarial gains due to scheme experience	(161)
Actuarial losses due to changes in demographic assumptions	23
Actuarial losses due to changes in financial assumptions	637
Benefits paid and expenses	(85)
Closing scheme liabilities as at 31 March 2019	**8,477**

Reconciliation of opening and closing balances of the fair value of plan assets	**£'000**
Opening fair value of plan assets as at 1 April 2018	**6,005**
Interest income	157
Experience on plan assets (excluding interest)	7
Contributions by employer	151
Benefits paid and expenses	(85)
Closing fair value of plan assets as at 31 March 2019	**6,235**

Amounts recognised in statement of comprehensive income	**2019 £'000**
Expenses	7
Amounts charged to operating costs	**7**
Net interest	46
Amounts charged to other finance costs	**46**
Total loss	**53**

Notes to the financial statements for the year ended 31 March 2019 (continued)

21 Pensions (continued)

Social Housing Pension Scheme (continued)

Re-measurements in other comprehensive income

Re-measurement of the net assets / (defined liability)	**31 Mar 2019 £'000**
Actuarial gains due to scheme experience	**161**
Actuarial losses due to changes in demographic assumptions	**(23)**
Actuarial losses due to changes in financial assumptions	**(637)**
Experience on plan assets (excluding interest)	**7**
Re-measurement of the net assets / (defined liability)	**(492)**

Principal actuarial assumptions:

Financial assumptions	**31 Mar 2019**	31 Mar 2018
	% pa	% pa
Discount rate	**2.36**	2.60
Future Salary increases	**3.24**	3.13
Future Pension increases	**2.33**	2.23
Inflation assumption (RPI)	**3.24**	3.13
Inflation assumption (CPI)	**2.24**	2.13

Mortality assumptions
The post-retirement mortality assumptions adopted to value the benefit obligation at March 2019 and March 2 018 are based on the S2PA tables. The assumed life expectations on retirement at age 65 are:

	31 Mar 2019 no. of years
Males retiring today	**21.8**
Females retiring today	**23.5**
Males retiring in 20 years	**23.2**
Females retiring in 20 years	**24.7**

Notes to the financial statements for the year ended 31 March 2019 (continued)

21 Pensions (continued)

Social Housing Pension Scheme (continued)

Major categories of plan assets as a percentage of total plan assets

Asset breakdown

	31 Mar 2019	31 Mar 2018
	%	%
Absolute return	**9**	12
Alternative risk premia	**6**	4
Corporate bond fund	**5**	4
Global equity	**17**	20
Infrastructure	**5**	3
Liability driven investment	**37**	36
Other	**21**	21
Total	**100**	100

22 Group Members

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

23 Legislative provision

The Association is a company limited by guarantee and is registered with the Regulator of Social Housing under the Housing and Regeneration Act 2008.