North Devon Homes Financial Statements for the year ended 31 March 2023

Registered Company No. 03674687

Registered Charity No. 1164142

North Devon Homes

Financial Statements

for the year ended 31 March 2023

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Board of Management report for the year ended 31 March 2023

The Board of Management

Mr Colin Dennis (Chair) (appointed 1 April 2022)
Mr Asad Butt (Vice Chair)
Dr Debbie Hay
Ms Suzanne Ingman
Ms Delyth Lloyd-Evans
Mr Scott Murray
Mr Paul Oldroyd
Mr Simon Sanger-Anderson
Mr John Creswell (appointed 15 May 2023)
Mr James Goss (appointed 15 May 2023)

Company Secretary

Iain Springate

Executive Directors

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

Statutory Independent Auditors

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Solicitors

Trowers & Hamlins LLP
The Senate
Southernhay Gardens
Exeter
Devon EX1 1UG

Tozers LLP
Broadwalk House
Southernhay West
Exeter
Devon EX1 1UA

Principal Funders

Lloyds Bank PLC
25 Gresham Street
London EC2V 7HM

Funding Advisors

Aquila Treasury and Finance Solutions Ltd
Tempus Wharf
29a Bermondsey Wall West
London SE16 4SA

Bankers

NatWest plc
250 Bishopsgate
London EC2M 4AA

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 2023 (continued)

Strategic Report
The Board of Management presents its strategic report (pages 9 to 32) and audited financial statements for the year ended 31 March 2023.

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 pages 3 and 5.

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 9 to 32. This includes the Value for Money Statement 2023 and the Board's arrangements for managing risk.

Results
The Group's surplus after tax for the year was £609k (2022: £1,208k).

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. Further details with regard to going concern are considered in Note 1 to the Financial Statements on page 46.

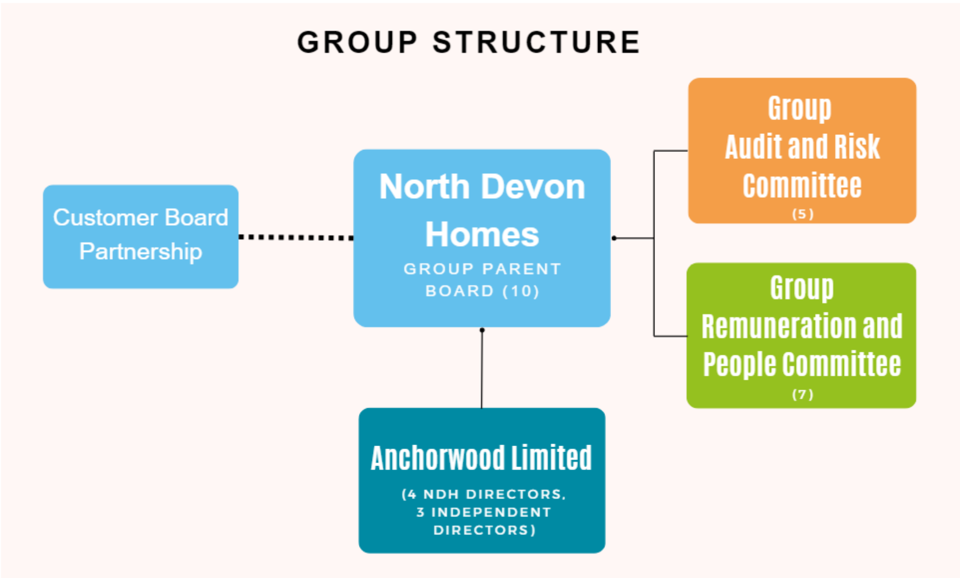
Constitution and Governance
The Board is skills-based and consists of up to ten independent members.

Board of Management report for the year ended 31 March 2023 (continued)

For the year ending 31 March 2023 the following members served on the Board:

- Mr Colin Dennis (appointed 1 April 2022)
- Mr Asad Butt
- Mr Scott Murray
- Mr James Barrah (Resigned 31 March 2023)
- Ms Delyth Lloyd-Evans
- Ms Suzanne Ingman
- Dr Debbie Hay
- Mr Paul Oldroyd
- Ms Suzanne Lowther (Resigned 5 January 2023)
- Mr Simon Sanger-Anderson

The governance structure for the Group is summarised below:



The Boards of North Devon Homes and its subsidiary company Anchorwood Limited are committed to upholding and maintaining the highest standards 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 2023 (continued)

Compliance Statement

North Devon Homes (NDH) Group has adopted the NHF 2020 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, identifying and implementing any areas for improvement. Throughout the year to 31 March 2023 work was undertaken to close off the small number of actions remaining to ensure compliance with the Code. The Board confirms that following completion of these actions, NDH is compliant with the Code.

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 are being complied with.

During the year Microsoft 365 was implemented, enhancements were made to cyber security, and work started on implementing a Data Governance Framework. However, the data protection module is still to be made available for our Housing Management system, which is needed to demonstrate full compliance with the General Data Protection Regulation (GDPR) legislation. Whilst NDH was not fully compliant with all aspects of the GDPR requirements during the year, any areas of non-compliance are not considered to be material.

The Board is pleased to confirm that during the year ended 31 March 2023 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.

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 2023 (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 9 to 32.

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 ensuring equal opportunities for all. The Recruitment and Selection Policy and Procedure ensures that non-discriminatory practices and processes are in place. It is our policy that those with a disability are automatically offered an interview so long as they meet the basic requirements of the role. Reasonable adjustments are also offered to remove any barriers to accessing the interview process.

Equality, Diversity & Inclusion

The Group is committed to championing equality, diversity and inclusion (EDI) in order to challenge inequality in the community served and has implemented its EDI strategy that sets out our aims as a community landlord and local employer for ensuring that we are truly representative of our community and that our staff, customers and contractors feel valued, respected, supported and are able to be themselves. The Board receives regular updates on progress against EDI actions. A dedicated Board EDI champion provides additional oversight. EDI training has been provided to all staff and Board members to ensure that we are able deliver our business in a way that has the greatest impact we can on tackling inequalities.

Directors' and officers' liability insurance

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

Directors' and 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. The Board members (who are also Trustees) are remunerated for their services. Details 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 or herself aware of any relevant audit information and to establish that the auditors were aware of that information.

Board of Management report for the year ended 31 March 2023 (continued)

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

Colin Dennis
Chair of the Board
11 September 2023

Strategic Report

Background

North Devon Homes is a registered provider of social housing which was established to accept the transfer of 3,281 homes from North Devon Council in February 2000. At 31 March 2023, the Association owned 3,342 (2022: 3,338) affordable homes.

With the exception of two properties 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 and a shortage of private rented sector supply.

An analysis of the Association's property assets is as follows:

	2023 No.	2022 No.
North Devon Homes' Affordable Housing Stock:		
General Needs		
Social rent	2,279	2,278
Affordable rent	425	426
Housing for older people		
Social rent	510	510
Affordable rent	31	31
Intermediate rent	18	18
Low-cost home ownership	79	75
Total	**3,342**	**3,338**
Other units not included above:		
Market Rented	8	8
Leasehold Properties	89	89
Units managed on behalf of others	16	16
Garages	670	670
Commercial Properties	18	23
Total	**801**	**806**

Governance and Management

During 2022/23 the NDH Board met seven times to provide effective governance to the business. The Board is supported by its Group Audit and Risk Committee and also its Group Remuneration and People Committee. The Anchorwood Limited Board met seven times during the year.

The NDH Board has formally adopted the National Housing Federation (NHF) Code of Governance 2020. 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 North Devon Homes' governance arrangements. Full compliance with the Code was achieved during 2022/23.

Further details are provided within the Board of Management Report on pages 3-8.

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 December 2022 following the annual stability check it was confirmed that the Association had maintained the highest Regulatory Rating for governance at G1 and that it was graded as V2 for Financial Viability due to its current exposure to the housing market. The ratings are defined as follows:

- **Governance: G1**
  The provider meets the governance requirements.

- **Viability: V2**
  The provider meets the viability requirements and has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance.

Corporate Priorities and Strategies

The Corporate Plan 2021-24 sets out the Association's aspirations and targets. Key areas of focus for the 2021-24 Plan are tackling inequality, investing in customers' homes to make them more energy efficient, delivery of new homes and using new technology to improve processes and deliver services more effectively and efficiently. The Plan also sets out the Association's culture and the way the Association intends to deliver the Plan with objectives on: safety, compliance and responding to the emerging building-safety agenda; good governance; delivery of social value; and customer engagement. The year 2022/23 was the second year of the Corporate Plan. The Plan is set out under four objectives, and a summary of performance against each heading is outlined below.

1. **Me: putting customers at the heart of everything we do**

- **Annual Report** published in September 2022
- **Customers engaged with key decisions** through Customer Board Partnership (CBP), Customer Health and Safety Partnership, Scrutiny and Fresh Ideas meetings (e.g. customer handbook, permissions process, 2023/24 rents).
- Preparations ongoing to gather **Tenant Satisfaction Measures** (TSMs) to prepare for consumer regulation from 2023/24. Planning for analysis of TSM data to ensure we have assurance that no customer groups are specifically disadvantaged in relation to our services and can follow up where there are issues identified for specific groups / areas.
- **Energy Support Officer** and **Hardship Fund** continue to be funded to help customers with cost-of-living issues (e.g. supporting high energy costs).
- **Complaints** discussed at every CBP meeting. Compliance against revised Complaints Code achieved and a Complaints Board Champion appointed. A Customer Complaints Group has also been established to review complaints in more detail.
- Continuing to deliver our **IT Strategy** with significant improvements to infrastructure, software and security (e.g. with roll out of Microsoft 365 and decommissioning of Windows 7). Progress being made with the new Housing Management system, which if continued, should enable eventually the release of anticipated benefits for customers (e.g. customer portal, self-service options).

Strategic Report (continued)

2. My Home: giving customers a safe and warm place to live

- **Compliance performance** remains strong and is a key focus across the organisation.
- **Energy efficiency / SAP C improvements** are in excess of the year-end target.
- We have 3 funded projects currently which are **Social Housing Decarbonisation Fund (SHDF)** Wave 1 fabric first improvements and are now starting work on the **SHDF Wave 2.**
- **Units delivered** were lower than planned for the year due to delays, with some units being delayed into 2023/24.

3. My Neighbourhood: improving and supporting our communities

- **Specialist support team** received around 175 referrals in the year.
- We continue to **work in partnership** with local agencies, such as Encompass, through Housing First, and the care leavers project.
- **Credit Union Sustainability Project -** New Resources appointed from Westcountry Savings & Loans following extension of their 3+2 contract to continue to promote and embed Credit Unions across the South West.
- **Rents for 2023/24** have been increased by 7%. In 2021/22 rents remained significantly below comparator rents, and ndh affordable rents rose by less than the average for England.
- In the year, **Money Matters** received 426 referrals and helped customers to access around £196k of financial support.
- Funding gained for a year's Officer post to support older customers through **provision of financial advice / support**, and the post is now filled with gains being delivered for customers.

4. My Landlord: offering Value for Money with a low impact on the planet

- **Leadership training** to a new cohort of managers has been completed. There is continued investment in the development of leadership skills for all managers.
- Full compliance achieved against the **NHF Code of Governance**.
- First **apprentice** since Covid being recruited, and attendance at local secondary school careers next steps events, with a view to identifying our workforce pipeline of the future.
- Therapeutic counsellor is providing front-line teams with **support**; this has received excellent staff feedback.
- **Microsoft 365** roll out complete and Windows 7 decommissioned, removing significant vulnerability.
- In terms of **data security**, our score against the Information Commissioner's Office (ICO) Accountability Framework is now 90%, and we have onboarded a 24/7 security service to monitor our systems.
- Further improvements being brought to our IT infrastructure with a project underway to review and restructure **file storage**.
- **Data Governance Framework** being set in place, with training completed for most staff as a first step.

Strategic Report (continued)

Performance in the Year (continued)

Performance Management Framework
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. The achievement of both the SEPs and the staff objectives is regularly monitored.

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. The Customer Board Partnership also reviews KPI performance at its meetings. Performance information is widely available in customer newsletters, on our website and in our offices.

A performance management process is in place to capture, monitor and manage performance and delivery across the business including delivery of our Corporate Plan and service excellence plans, with quarterly performance reports.

Performance across the organisation as at 31 March 2023 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

	CURRENT PERFORMANCE	PREVIOUS PERFORMANCE	TARGET	POSITION
Customer Feedback				
Compliments received	90	157	No Target	n/a
Stage 1 complaints received	90	37	No Target	n/a
Stage 1 complaints upheld	50	12	No Target	n/a
Stage 2 complaints received	16	9	No Target	n/a
Responsive Repairs				
Customers overall satisfied with service received	87%	88.0%	85%	⇩
Home Improvements				
Home Improvements Delivered	681	535	No Target	n/a
Gas Safety				
Properties with a valid Landlord Gas Safety Record (LGSR) month end	99.96%	100.00%	100.00%	⇩
Re-let Properties				
Number of properties re-let	185	165	No Target	n/a
Average time to complete void works and re-let properties (in c/days)	39	33	38.3	⇩
Income Collection				
Outstanding rent (current customers)	0.94%	0.88%	2.10%	⇩
Outstanding rent (former customers)	0.83%	0.47%	0.70%	⇩
Rent loss due to empty properties (as a % of rental due)	0.78%	0.59%	0.75%	⇩
Finance				
Liquidity - Group	1.0	3.3	0.95	⇩
Liquidity - Association	0.8	4.9	0.95	⇩
Quick Liquidity Ratio (excluding Stock) - Group	0.8	2.6	0.65	⇩
Quick Liquidity Ratio (excluding Stock) - Association	0.8	4.8	0.65	⇩
Interest Cover - Group	120.7	147.0	110.0%	⇩
Interest Cover - Association	123.3	147.8	110.0%	⇩

Strategic Report (continued)

Key Performance Indicators (KPIs) (continued)

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

- **Customer Satisfaction:** Customer satisfaction for our repairs service remains high at 87%. Nearly all customers (96%) were satisfied with the planned home improvements that were carried out in year. In 2022/23 overall we received 90 complaints, increased significantly from 37 in the previous year. It is likely that the increase reflects the effort the Government and Housing Ombudsman have gone to in publicising the process and the more inclusive definition of a complaint that have been set out in the Housing Ombudsman's code. 90 formal complaints has moved us closer to the median for the sector although overall we still have fewer complaints than the average for the sector (NDH averages 2.3 complaints per 1000 properties; the sector averages 2.9 complaints per 1000 properties). Of the 90 complaints received, just over half were partially or fully upheld. The Complaints Review Group took forward any learning or improvements needed from formal complaints made.

- **Income Collection:** As noted above, the performance of rent collection for current customers continued to be extremely strong in 2022/23 (Housemark data puts the sector average for arrears at 2.8%). This year has seen the continued roll-out of Universal Credit in North Devon and despite a small increase in arrears, current arrears performance is significantly better than target, despite the number of UC claimants increasing from 979 to 1096 in the year.

- **Gas Safety:** At the end of the year all properties with gas except one had a valid gas certificate. The delay in resolving the issue in this one property was the result of access issues due to the death of the customer, with a use and occupation order required to gain access. The issue was resolved within the MOT-style timeframe. During the year only three further properties did not have a valid LGSR at month end. All were due to access issues (e.g. non-occupation; residential care etc.) and all were resolved within the MOT-style timeframe.

- **Re-lets:** Re-let times and void rent loss were higher than in the previous year, but were only marginally over target.

- **Planned Maintenance (major repairs):** The majority of the planned maintenance programme was completed in year. As noted above, satisfaction with these works was extremely high.

- **Finance:** Financial performance was below the budget set for the year due to increasing cost pressures as a result of the high inflationary environment. Cost pressures arose across the business particularly in relation to repair and build costs, however these areas did remain within the budget forecasts. Cash balances remained high during the year, with over £13m in Group and Association balances as at 31 March 2023. However, the liquidity ratios are impacted by £15m of loan repayments that are due to be repaid in August 2023 (note 14); negotiations are well progressed towards re-financing this debt with contingency plans approved and in place. Further detail on financial performance is provided in the Value for Money Statement 2023 on page 22 and the Operating and Financial Review on page 30.

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 that the Risk Management remained '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 where appropriate. An Assurances report is completed for each risk, which sets out the critical assurances in place against the three lines of defence model. Risks that are highly scored and / or require action to reduce them are designated Strategic Risks. The full risk register is reviewed every four to six weeks by the Strategic Performance Group, and the Strategic Risks are reviewed by the Group Audit and Risk Committee on a quarterly basis.

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, the Executive Team and the Strategic Performance Group.

Strategic Report (continued)

Risk Management (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 2021-2024 establishes VfM priorities. • The VfM Strategy 2021-24 outlines how value will be delivered and includes key metrics to track progress. • 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. • Asset Management & Development strategy in place to ensure effective use of and return on assets. • Annual submission of data to Housemark for benchmarking comparison. Benchmarking undertaken annually against peer group to identify cost savings and performance improvements, and monthly to identify performance issues impacting VfM.
Higher arrears than anticipated as a result of welfare reform	• Significant work continues with customers who have moved to Universal Credit (UC), to support them to manage their 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. • Promotion of direct debits and basic bank accounts. Wide range of payment facilities available. • Whilst overall performance continues to be very good, as UC continues to be rolled out this still remains a key risk due to the result of the significant impact that UC has on customers. As circumstances change and as the impacts of the cost of living crisis deepen, it is anticipated that even those who have previously successfully transitioned to UC will struggle to keep rent payments up to date. • Local authority relationship prioritised to strengthen dialogue about routes and government funding to support customer hardship. • Chief Executive leads regional Credit Union sustainability project to support provision of services to customers.

Strategic Report (continued)

Risk Management (continued)

Risk Management (continued)Risk	Key controls
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 to ensure Business Plan capacity is understood, the Board is prepared for changes in the environment, and has 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 Group Audit & Risk Committee. • Where possible, contracts are put in place that stipulate agreed pricing structures across the length of the contract. • Risk is regularly reviewed and will continue to be, as there is likely to be ongoing uncertainty affecting the economic environment as a result of the ongoing impacts of high inflation, the cost-of-living crisis and the longer-term outcomes of Brexit.
Failure to secure additional finance (refinancing) or secured on detrimental terms impacting the business plan.	• Treasury Management Policy and Treasury Strategy in place to ensure required facilities are available and are reviewed at least annually. • Business plan stress testing and scenarios tests resilience to interest rate fluctuations and if relevant different financing options. • Sufficient loan security available to raise additional finance as required, and monitored as a Golden Rule. • Finance Director has regular discussions with lenders (and potential lenders) to keep relationships positive and open. • Multiple options considered and proposed when refinancing due. • Advice received from the retained treasury advisor.
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. • Annual Risk Workshop/Board Awayday includes discussion of potential changes to political/wider environment and consideration of impacts, risks and opportunities. • Stress testing and business planning utilises scenarios incorporating external intelligence (e.g. Hargreaves Risk and Strategy, Bank of England) about potential political and wider economic changes. • Risk is regularly reviewed and will continue to be, as the political environment remains extremely unpredictable, there continue to be significant legislative changes that impact the business, and there will be a general election within the next 18 months. This uncertainty is exacerbated by the war in Ukraine, ongoing high inflation, the cost of living crisis and the longer-term outcomes of Brexit.

Strategic Report (continued)

Risk Management (continued)

Risk Management (continued)Risk	Key controls
Negative outcomes for business as a result of poor data quality	• Training in procedures and processes relating to data entry and IT systems use covered in inductions as appropriate. • In-person data training carried out across the business covering issues around data quality and governance. • Key data sets have assurance processes in place to check data quality. • External review of data returns where requested by the Board. • Skills in place to build, quality check and verify data reports to ensure quality. • Business Analyst in place with skills in reporting and data analysis. • Data Governance Framework being rolled out and Data Governance Committee established to monitor data issues. • High level oversight of data quality and issues provided through IT Project Board comprising Executive and Senior Managers.
Failure to effectively gather and use customer intelligence	• Customer Involvement Strategy in place that sets out how Customers are involved and influence services. • Customer Board Partnership in place to consider operational and strategic issues and gather customer input into decisions. • Key Customer committees in place to influence specific areas of activity (e.g. scrutiny, complaints, health and safety). • Information gathered from customers in different ways e.g. local conversations, events, transactional satisfaction surveys for repairs and planned works. • Key customer-facing plans, strategies and policies consulted on with customers. • Patch-based working model developed and in place to bring knowledge from different front-line staff about households together.
Failure of the Board to exercise good governance	• Skills-based Board in place. • Assurance Framework developed and implemented to ensure the Board receives information needed to govern effectively. Risk map kept up to date and relevant for the needs of current and future business. • Board effectiveness review carried out annually. • Board adheres to NHF Code of Governance 2020 standards. • Board adheres to NHF Code of Conduct 2022 standards. • Board attendance monitored through KPI's. • 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.

Strategic Report (continued)

Risk Management (continued)

Risk	Key controls
Failure of Group subsidiary Anchorwood Ltd to deliver the outcomes agreed in its Corporate Plan	• Governance framework in place to define relationship between Anchorwood and Parent Board with clearly stated roles and responsibilities and accountabilities of both parties. • Business Plan for Group and separate Plan in place for Anchorwood, stress tested to understand break points and recovery actions identified. • Corporate plan targets and KPI performance framework sets out expectations and whether targets are being achieved. • Ongoing Review of Development Pipeline by Project Group to ensure sufficient pipeline to achieve objectives. • Ongoing review of sales activity by Project Group informed by local estate agents and JV partners. • Local estate agents and valuers engaged to inform the development of homes for sale, sales strategy and pricing. External advice sought for key decisions about development to add to the local intelligence. • Mitigation in place to address potential failure of contractor / joint-venture agreement partner. • Contracts in place to set out responsibilities of contractors / partners and to mitigate against cost increases as far as possible. • Controls in place to ensure robust monitoring against delivery and profit. • Controls in place to ensure Health and Safety on site. • Assumptions are continually reviewed to ensure the plan is realistic in the current environment with the ongoing impacts of high inflation, the cost of living crisis and Brexit (i.e. risk of falling house prices, sales delays, rising costs of borrowing and materials, lack of availability of materials).
Failure to develop and implement an informed Asset Management Strategy which delivers the Decent Homes Standard and meets environmental requirements.	• Asset Management Strategy in place aligned to Corporate Plan 2021-24. • Direct Labour Organisation – Home 2 Home – in place for response repairs and planned works with external contractors for specialist services (e.g. gas, electrical). • Planned Maintenance programme in place based on regular stock condition surveys. • Programme of improvement planned to improve energy efficiency of homes. • Ongoing review of poorly performing properties where upgrade to SAPC rating would not be viable, with disposal of the worst-performing properties when they become void. • Annual Housemark benchmarking showing cost/quality of the repairs service compared with others. • 20% of stock surveyed for condition annually. • External environment monitored and responded to via professional networks and resources including Advantage South West, training events and Hargreaves Risk and Strategy.

Strategic Report (continued)

Risk Management (continued)

Risk	Key controls
Failure to comply with Health and Safety (H&S) obligations	• Permanent Building Safety Manager 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. Risk assessments and mitigations are reviewed and updated to take account of significant events. • 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. Our aim is to specify works (i.e. design, materials) that anticipate emerging building safety legislation to ensure developments are future-proofed and meet customer and regulatory expectations. • We continue to prepare for future legislative changes by investing in health and safety compliance and robust monitoring arrangements.
IT systems and cyber security. Failure to comply with data protection legislation	• Firewall and anti-virus software are in place and penetration testing is carried out. Monthly monitoring of system security by an external specialist, who also carries out regular penetration and phishing tests. • External company provides 24/7 monitoring of all systems to provide early warning of an attack, with the ability to close off systems if necessary. • Non-public areas of the building are protected by security systems. • All devices are protected by passwords and multi factor authentication. • Training is provided for staff, alongside regular cyber-risk updates. • Business Continuity testing regularly considers IT security using National Cyber Security Centre materials. • An IT Strategy is in place, with appropriate provision in the business plan, to ensure IT systems that meet business need are in place and maintained. • A programme is ongoing to upgrade IT infrastructure approaching end-of-life. • MS365 in place with enhanced security. • Data protection policies and procedures are in place. Enhanced annual refresher training is in place for GDPR and Managing Information Securely.

Strategic Report (continued)

Risk Management (continued)

Risk	Key controls
Inability to attract and retain key staffing skills and resources	• The Team NDH strategy is agreed and focused on how we develop our culture further, setting actions relating to leadership, pay, reward and talent management, wellbeing and Equality Diversity and Inclusion. • A pay and reward policy is in place, posts evaluated against market testing every 3 years and new posts evaluated on creation. • Exit interviews are carried out to identify issues and trends and reported to Executive team for action where appropriate. • An agile recruitment process in place to react to changing recruitment market. • Staff have opportunities to give their views using a variety of methods including an active staff forum. • A skilled and experienced HR team is able to support the business in all recruitment and retention matters.

The key risks above were addressed throughout 2022/23.

Whilst the uncertain and challenging operating environment continues (and is likely to do so for the following 12 months at least), a number of risks are being considered particularly carefully to ensure the continued financial viability and effectiveness of the Group:

- **Asset Management:** the Group is planning for additional and significant costs associated with building safety compliance, a revised Decent Homes Standard and decarbonisation over the coming years. The updated Decent Homes Standard is still not agreed and in place, but it will be more stringent (e.g. likely to require a greater focus on property condition, not just component lifecycles). Work is being undertaken to understand the full impacts of the zero carbon agenda, the details of which are still awaited.

- **Regulatory expectations:** The Social Housing Regulation Bill sets out a number of expectations around customer service and signalled a raft of strengthened consumer regulation which will be consulted on in summer 2023. Tenant Satisfaction Measure data is already being collected for the year 2023/24 for submission to the Regulator following year-end. The Association has a good starting position from which to meet the new consumer regulation expectations.

- **Anchorwood Ltd:** Although the housing market in North Devon has remained strong, continued high inflation and a rise in interest rates increase the risk of a housing market decline, which would impact market sales and cashflow in Anchorwood. There are mitigations in place, which would allow an exit from the Taw Wharf scheme or to amend the scheme at key decision points. Buyer interest has remained strong throughout, despite the volatile external environment.

Risks are closely and regularly monitored by the Executive Team and the Strategic Performance Group who meet every month to review the entire risk register. The quarterly Group Audit and Risk Committee is kept informed on proposed changes to the risk register, risk early warnings that have been triggered (but not necessarily resulted in a score change) and emerging risks.

Strategic Report (continued)

Value for Money Statement 2023

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 2021-2024 Corporate Plan. We aim to deliver a high quality service as efficiently and effectively as we can, maximising the value of the services we provide within available resources.

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 VfM Standard, 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 2021/22

The latest benchmarked data for the seven metrics, as published in the Regulator's Global Accounts data for 2021/22, is set out below. This shows the Association's performance compared to the whole sector median and the median for housing associations of a similar size (2,500 to 5000 units). Performance in the table below is compared to associations of a similar size.

VfM Metrics 2021/22	North Devon Homes	Sector Median	
		All	2,500 to 4,999 units
Reinvestment	1.8%	6.5%	6.5%
New Supply - Social Housing Units	0.3%	1.4%	1.2%
New Supply - non-Social Housing Units	0.3%	0.0%	0.0%
Gearing	57.6%	44.1%	45.8%
EBITDA MRI	122.9%	145.7%	158.0%
Headline Social Housing Cost per unit	£3,507	£4,150	£4,420
Operating Margin - Social Housing Lettin	22.0%	23.3%	21.6%
Operating Margin - Overall	22.7%	20.5%	20.4%
Return on Capital Employed (ROCE)	2.9%	3.2%	3.2%

Performance against landlords with 2,500 to 4,999 units:
Above median
Below median

The table on the next page sets out the Association's performance against the seven VfM metrics for 2022/23, comparing it to the target set out in the Association's current 2021-24 VfM Strategy. The table also sets out the VfM strategy target for the next year.

Strategic Report (continued)

Value for Money Statement 2023

VfM Metrics	Performance 2022/23		VfM Strategy Targets 2023/24
	North Devon Homes	*VfM Strategy Target*	
Reinvestment	3.25%	6.00%	3.80%
New Supply - Social Housing Units	0.33%	1.90%	1.00%
New Supply - non-Social Housing Units	0.70%	1.70%	0.90%
Gearing	56.80%	60.50%	59.00%
EBITDA MRI	82.20%	141.90%	137.50%
Headline Social Housing Cost per unit	£4,300	£3,747	£3,871
Operating Margin - Social Housing Lettings	18.80%	22.20%	23.20%
Operating Margin - Overall	19.40%	19.10%	20.90%
Return on Capital Employed (ROCE)	2.98%	3.40%	3.10%

Performance:
Above target
Below target

A summary commentary on performance is provided below:

- **Reinvestment** is below target as there has been much less expenditure on new development than originally forecast in the VfM strategy; this is due to changes in development timings and schemes which have fallen away. The original strategy forecast £7.4m capital expenditure on development whereas there has only been £1.7m actual expenditure for the year.
- **% New Supply Delivered (Social Housing Units):** is below target as 65 completions were forecast in the original strategy, but only 11 social housing units have been delivered in the year due to changes in the development programme and review of business plan capacity.
- **% New Supply Delivered (Non-Social Housing Units):** is below target; 60 completions were forecast in the original VfM strategy, but 24 non-social housing units have been delivered in the year. The gap in delivery is attributable to later than anticipated completion for 14 units at Taw Wharf Phase 3 (as all 35 were originally forecast to complete in 2022/23) and pipeline schemes that have experienced planning delays or sites that are not being progressed since the original strategy metrics were set.
- **Gearing:** out-performed target as debt relating to Anchorwood activity is lower than forecast and liquidity levels are higher than forecast resulting in lower net debt.
- **(EBITDA MRI) Interest Cover:** whilst actual interest payable (including capitalised interest) is £31k less than forecast in the original strategy, inflationary pressures have increased operating costs from when the original strategy (and business plan) was agreed in 2021. Significant cost increases over the past year due to high inflation and supply chain issues, have materially impacted performance. Note that this metric does not take into account the lenders agreed carve out in respect of SHDF/energy efficiency works, nor does it take into account any grant received to part fund costs.
- **Headline Social Housing Cost Per Unit:** this metric is impacted by both higher costs compared to the strategy (£1,644k higher at end of the year) and less units in overall stock (actual units are 55 less than the original forecast in 2021 which is linked to the new supply delivery metric above).
- **Operating Margin (Social Housing Lettings Only):** is below target. Whilst actual social housing lettings turnover is similar to the original forecast, operating surplus from social housing lettings is materially lower, reflecting the inflationary cost pressures.
- **Operating Margin Overall:** is just above target due to the positive impact of Anchorwood activity and profits.
- **% Return on Capital Employed (ROCE):** overall operating surplus (including Anchorwood activity) is lower than forecast due to non-social housing supply delays (as above) impacting sales receipts and reduced surpluses due to inflationary pressures. This resulted in lower than target performance.

Strategic Report (continued)

Value for Money Statement 2023 (continued)

In addition to the metrics used by the RSH, the table below shows VfM performance for 2021/22 compared to 2020/21 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) 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.

Area	2020/21		2021/22		Change
	Cost per Property (CPP)	Performance	Cost per Property (CPP)	Performance	
Responsive Repairs	CPP Responsive Repairs Service Provision	Satisfaction with repairs & maintenance (STAR)	CPP Responsive Repairs Service Provision	Satisfaction with repairs & maintenance (STAR)	⟷
Voids & lettings	CPP Void Works Service Provision	Void rent loss %	CPP Void Works Service Provision	Void rent loss %	⟷
Rent Arrears & 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	Average seconds to answer inbound calls - No benchmarked data	CPP Housing Management	Average seconds to answer inbound calls - No benchmarked data	⟷
Neighbourhood Management	CPP ASB	Satisfaction with Neighbourhood (STAR)	CPP ASB	Satisfaction with Neighbourhood (STAR)	⟷
Community Involvement	CPP Community Investment	Residents undertaking training or education - No benchmarked data	CPP Community Investment	Residents undertaking training or education - No benchmarked data	⟷

The data above suggests that for most areas where data is available, performance is unchanged, and remained good in 2021/22. Although in some areas costs have risen due to high inflation increasing costs and increased expectations around compliance, the performance and costs remain good compared to peers.

The only area where Cost Per Property (CPP) has remained above the peer group median is Community Investment. Our CPP has actually fallen from £83 to £68, and the median has significantly increased from £15 to £50. Whilst this leaves us much closer to the median – likely due to other landlords increasing activity due to incoming consumer regulation – our cost per property remains higher. The greater costs we have compared to the Peer Group median reflect the investment we continue to choose to make in our customer support services. It would seem likely that the peer median will continue to rise as associations look to invest further in their community facing activities.

The two tables below from Housemark's analysis platform present the data in a slightly different way and demonstrate that NDH continues to deliver good services at low cost (NB: areas are only on the graph if there are 8 or more peers in the sample for that area). The table below includes Housemark's assessment of Operational Productivity and Asset Management.

Strategic Report (continued)

Value for Money Statement 2023 (continued)

2020/21

2021/22

1 Responsive repairs
2 Voids and lettings
3 Rent arrears and collection
4 Tenancy management
5 Resident engagement
6 Customer services
7 Neighbourhood management
8 Community investment

Housemark Assessment - Operational Productivity 2021/22	**Housemark Assessment – Asset Management 2021/22**
Your overall operational performance was above that of your peers and your costs are lower. This is based on your overheads cost per property of £816 (peer median £1,193), front-line housing management cost per property of £254 (peer median £369) and your average performance across arrears, void loss, staff sickness and turnover.	*Your overall maintenance performance was above that of your peers and your front-line costs are lower. This is based on your responsive repairs and void works cost per property of £585 (peer median £1,206), your cyclical maintenance and major works cost per property of £1,126 (peer median £1,663) and your average performance across gas safety, repairs volumes, length taken to complete repairs and repairs satisfaction.*

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 four other targets in its 2021-24 VfM strategy. These are set out in the table below:

Metric	2022/23 target	2023/24 target
% Satisfaction with repairs and maintenance service	85%	85%
% of complaints resolved within agreed timetable	Stage 1 – 100% Stage 2 – 100%	Stage 1 – 100% Stage 2 – 100%
No. of changes as a result of customer consultation/feedback	50	50
Social Value delivered	*Evidence of social value delivered*	*Evidence of social value delivered*

In terms of performance against these targets for 2022/23:

Repairs and maintenance satisfaction
As noted above, transactional satisfaction remains above target at 87%. Any responses indicating dissatisfaction are followed up by repairs staff to understand what has happened, identify any learning, and where appropriate to resolve any outstanding issues.

Complaints resolution
The Housing Ombudsman's Complaints Code requires that Landlords try to resolve stage 1 complaints within 10 working days of logging them and stage 2 complaints within 20 days. Additional time is allowed, provided there is a good reason and the end date is agreed with the customer. All Stage 1 and Stage 2 complaints were compliant with these expectations throughout the year. For the year, 88% of Stage 1 complaints were responded to within 10 working days and 75% of Stage 2 complaints were responded to within 20 working days.

Customer consultation / feedback
In the year, over 230 changes were recorded as a direct result of consultation with, and feedback from, customers. These included changes to standard letters, information leaflets and customer-facing policies.

Social value
Key ways we delivered social value in the year:

- through targeted specialist support for customers with a range of complex needs, aimed at providing the very best advice and support that in turn helped customers maintain their tenancies.
- involved customers built skills and knowledge through attending training events, contributed to improving and scrutinising services provided by NDH and were involved in discussions on key issues such as rent setting.
- a Fuel Poverty advisor worked with customers to reduce the impact of the energy crisis. 81 households were supported in the year around issues relating to their heating systems, energy advice, energy debt and liaising with energy suppliers.
- our Money Matters service dealt with 426 referrals and made over £196k in financial gains for customers. The Hardship Fund (financed by NDH) has also been utilised to help customers (e.g. through heating their homes, providing white goods, providing floor coverings, addressing hardship issues).

Strategic Report (continued)

Customer Board Partnership, Customer Health and Safety Partnership, and Customer Scrutiny Panel

As a community landlord, engaging with our customers is a core part of how we both improve and deliver VfM. As a result of customers volunteering their time through our customer groups such as our Customer Board Partnership, Customer Health and Safety Partnership and our Customer Scrutiny Panel capacity has been further developed this year to support meaningful and effective customer involvement.

As a key part of our community engagement, we were able (for the first time since the Covid pandemic) to resume our customer summer fayre. This community event brought staff, board members and customers together in a neutral setting to have shared conversations about our services which we have used to inform how we work. Several hundred customers attended and we held a similar event in the summer of 2023.

During the year, a new Customer Chair was appointed to our Customer Board Partnership as part of our managed succession plan. Our partnership agenda has continued to evolve as we have built back from the pandemic to be increasingly strategic. Customers, Board Members and the Executive Team have met with senior service managers regularly through this year and have considered and influenced a wide-ranging agenda including:

- Monitoring and challenging our Key Performance Indicators and performance levels across the business;
- Complaints, complaint handling and how learning is embedded;
- Implementation of our Customer Involvement strategy;
- Our Decarbonisation plans and progress;
- How we engage with and get value from the Advantage South West partnership;
- Our IT systems;
- Our Customer Health and Safety Partnership developments;
- Our customer communications plan and strategy;
- Our planned approach to Tenant Satisfaction Measures;
- Key contracts such as the cleaning contract that was retendered.

Customers were also invited to and attended and participated in a range of strategic meetings throughout the year including regular attendance at Board meetings and our joint Board & Customer Strategic planning day.

Our Customer Health and Safety Partnership has continued to evolve under the new Chair, with a structured programme of training supported to promote meaningful engagement and contributions to our landlord compliance and customer safety agendas. This group has monitored and challenged how we deliver landlord compliance and customer safety, monitoring performance and developing and facilitating customer events to engage customers in our customer partnership safety agenda. The Chair has taken a lead role in providing customer-led scrutiny of these arrangements and engaging partners such as the Fire Service, Police and Local Authority in safety related meetings to improve outcomes for customers.

Our Customer Scrutiny Panel has also developed and undertaken an active programme of reviews which has researched, evaluated and scrutinised a number of areas and made recommendations for improvements in how we design, monitor, implement or review services including how our grounds maintenance team are performing from a customer perspective and our service offer to customers living on our schemes.

A number of policies and procedures have also been reviewed in the year leading to process efficiencies and better outcomes for both customers and the Association.

Strategic Report (continued)

Customer Board Partnership, Customer Health and Safety Partnership, and Customer Scrutiny Panel (cont.)

The Chair of our Customer Board Partnership is also meeting with the Chair of our Board and the Chair of the Group Audit and Risk Committee as part of our customer involvement and assurance work.

In addition, customers have attended and contributed to a programme of external events organised by the Regulator for Social Housing, the Housing Ombudsman and TPAS.

During this challenging year, customer groups were also created and / or focussed on some of the emergent issues to ground and inform our response. For example, our customers considered and helped shape our response to the government consultation on rents. Subsequently, they provided information and views that supported the Board in making an informed decision on rent setting. Customers also provided, insight, challenge and support into how we as an organisation responded to the Damp and Mould issues that received media attention and focus from the Housing Ombudsman and the Regulator of Social Housing.

Customers have also been informing how we set current priorities. They have been engaged in discussions around our 2024-27 Corporate plan, informing how we draft priorities for more widespread consultation. This work is continuing with a programme of community engagement events and we will continue to engage customers as these priorities are refined in the coming financial year.

We have also been consulting on how we roll out our processes to collect the new Tenant Satisfaction Measures (TSMs). This has informed how and when we have contacted customers and we will be reviewing the outputs from our TSM surveys throughout the year to gain further insight into the drivers behind the things that customers like and any challenges or areas for improvement that may be identified.

Strategic Report (continued)

Plans for the year ahead

In addition to focussing on the VfM targets outlined above, other key priorities for the year 2023/24 are:

- Continue to progress with our Digital Transformation project, improving security and increasing efficiency for users. Continued roll out of upgrades and additional functionality of the new housing management system, ultimately aiming to provide a new customer portal.
- Work with our partners in Advantage South West LLP (ASW), (in which NDH has a 25% shareholding) to help deliver volume purchasing procurement savings utilising a range of purchasing frameworks to support our supply chain, develop modern methods of construction and standard house types through the Building Better project, which will enable quicker and more cost effective new homes delivery in our communities. ASW is also working on an apprenticeship and training initiative to encourage new opportunities for developing careers and skills we will need in social housing as we embrace the energy efficiency agenda as well as looking at zero carbon plans.
- Work with the local authority and other key partners such as One North Devon to develop a strategic approach to alleviating poverty and providing new affordable homes in North Devon.
- Engage effectively with our customers to challenge and refine service delivery. Continue to utilise feedback from complaints to make service improvements and introduce the measurement of the new tenant satisfaction measures and requirements of the social housing white paper.
- Ensure that Anchorwood Limited remains sufficiently profitable to enable gift aid receipts from commercial profits to be passed back to NDH. This will allow NDH to invest in more affordable homes in the wider area, as well as delivering the remainder of the 37 affordable homes at the Taw Wharf scheme.
- Monitor the performance and progress of Anchorwood and achievement of its own corporate plan objectives to ensure Anchorwood's activities continue to support those of NDH.
- Through our strong Team NDH culture, continue to invest and develop our staff through our organisational development strategy (Team NDH plan) and support staff through learning and development.
- Continue to invest in our robust health and safety compliance arrangements and be prepared for the changes arising from the Building Safety Act.
- Continue to prepare for Consumer Regulation and the changes that will come as a result of the Social Housing Regulation Bill currently passing through Parliament.

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 Customer Board Partnership, Customer Health and Safety Partnership and Customer Panel; and for staff through our VfM culture and 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

Income from social housing lettings increased in the year to 31 March 2023 by 3.9% (2022: 2.2% increase) from £15,883k in 2021/22 to £16,507k in 2022/23 (which included the 4.1% rent increase being applied to the majority of properties based on the CPI +1% formula). 5 general needs properties were lost through Right to Buy/Acquire and there were 2 strategic disposals in the year. 7 new social housing rented properties were delivered, although this was lower than forecast impacting overall social housing lettings income received.

There was an increase in turnover within other social housing activities of £313k to £1,105k in 2023 (2022: £792k); this was largely attributable to £273k of Energy Redress Scheme grant (administered by The Energy Savings Trust), providing energy efficiency improvements to 7 properties that previously had older Economy 7 heating systems. There were 4 shared ownership property sales in the year (2022: 5). Within non-social housing activity, turnover from open market sale activity was £2,229k higher than the previous year at £4,681k (2022: £2,339k) as a result of 24 phase 3 sales completing at the Taw Wharf scheme, with just two completed properties remaining unsold at the end of the year.

The Group operating surplus for the year was £5,012k (2022: £5,274k), a decrease of £262k from the previous year. This included gains from disposals of property, plant and equipment of £546k (2022: £785k) as we continued to disinvest in our poorest performing assets. There was an increase in Group turnover of £2,925k mainly arising from the higher level of sales activity in Anchorwood. Overall operating costs increased by £2,948k from the previous year; operating costs for social housing lettings increased by £1,008k, mainly as a result of increasing inflationary pressures across all areas; non-social housing operating costs (mainly relating to higher Anchorwood sales activity) increased by £1,826k. During the year £2,845k (2022: £1,902k) of major repairs expenditure was written off to the income and expenditure account and in addition, £3,538k of works were capitalised (2022: £1,901k); these revenue and capital costs included £799k of strategic decarbonisation works.

Surplus on property disposals was £546k, a decrease of £239k from 2021/22 reflecting a lower level of activity for strategic disposals; there were two disposals in the year this being the same number compared to the previous year but reflected the lower valuer of the smaller properties that were sold. Receipts from these disposals are reinvested in the development programme for the provision of new affordable homes in the area.

The Group's surplus before tax was £609k (2022: £1,208k). There was an actuarial gain in the year of £2,345k (2022: £1,652k) in relation to the Devon County Council Pension Fund and SHPS pension scheme.

The Group's surplus after tax and pension gains / losses for the year was £2,954k (2022: £2,860k). The surplus was credited to revenue reserves.

Debt Profile

In the year the Standby Liquidity Agreement was put in place resulting in an additional facility of £33.5m; this was undrawn at the year end. There was no variable rate debt outstanding at the end of the year, the NatWest facility phase 3 facility of £5.375m having been fully repaid in March 2023.

A summary of drawn loans (excluding any interest and fees applied) as at the year end is below:

Strategic Report (continued)

Operating and Financial Review

Financial Review (continued)

Lender	2023 £'000	2022 £'000	Description
Lloyds	**51,300**	51,300	Fixed
Affordable Housing Finance	**8,000**	8,000	Fixed
GB Social Housing	**27,638**	27,638	Fixed
MORhomes	**12,500**	12,500	Fixed
Natwest	**-**	2,315	Variable
TOTAL	**99,438**	101,753	

Total loan facilities available at 31 March 2023:

Lender	2023 £'000	2022 £'000	Description
Lloyds	**51,300**	51,300	Fixed
Affordable Housing Finance	**8,000**	8,000	Fixed
GB Social Housing	**27,638**	27,638	Fixed
MORhomes	**46,000**	12,500	Fixed
Natwest	**4,525**	5,375	Variable
TOTAL	**137,463**	104,813	

Debt profile at 31 March 2023:

	2023	2022
Fixed Rate Loans £'000	99,438k	£99,438k
Variable Rate Loans £'000	-	£2,315k
Total Loans Drawn £'000	**£99,438k**	**£101,753k**
% unhedged	0%	2.3%
Average cost of funds	5.05%	4.65%
Undrawn facility £'000	**£38,025k**	**£3,060k**

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. The MORhomes bond requires asset cover only. There were no covenant breaches during the year.

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.

Strategic Report (continued)

Operating and Financial Review (continued)

Cash Flows
Cash inflows and outflows for the year under review are contained in the Consolidated Statement of Cash Flows on page 43. 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 in respect of property charged to Lloyds was completed in June 2020 and the value of the charged stock at 31 March 2023 was £74.76m, valued at Existing Use Value – Social Housing (EUV-SH). The next valuation is due in 2023.

The value of stock charged to Affordable Housing Finance at 31 March 2023 was £10.06m at EUV-SH, based on the valuation that was concluded in March 2020. The value of the stock charged to GB Social Housing was £35.27m valued at Market Value - Subject to Tenancies (MV-ST) at the year end. Based on the updated desktop valuation completed in April 2023, the MV-ST value of the MORhomes charged stock was £18.29m.

Devon County Council Pension Scheme
The Association has a potential unprovided liability for additional pension costs for the Devon County Council Pension Scheme of £1.521m. During 2017/18 a jointly controlled bank account was set up with Devon County Council as the administering authority, to provide an indemnity by way of a cash deposit. As at the year end the balance in this account was £1.534m.

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

By order of the Board

Colin Dennis
Chair of the Board
11 September 2023

Statement of the Board of Management's Responsibilities

The Board is responsible for preparing the Board's Report 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 those regulations the Board has elected to prepare the Financial Statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the Financial Statements,
- assess the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and,
- use the going concern basis of accounting unless it either intends to liquidate the Group, to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of accounts that disclose, with reasonable accuracy at any time, the financial position of the Association and enable it to ensure that the Association's 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 2022. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Report of the Board, the Strategic Report and the Financial Statements were approved by the Board on 11 September 2023 and signed on its behalf by:

By order of the Board

Colin Dennis
Chair of the Board

11 September 2023

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 internal control 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 the 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. Whilst some controls have been further updated and strengthened particularly in respect of managing cyber risks, the overall internal controls system has remained largely unchanged.

The Group's assurance framework aligns the monitoring process from Board and Customer Board Partnership, 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 Group 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. The Committee also receives 'deep-dive' assurance reports for review at each meeting. Board agendas are structured so that key risk issues are discussed as early agenda items and are clearly identified at the start of reports. The Board had a dedicated risk workshop in the year to review risks and how they can be best mitigated.

The Strategic Performance Group comprising senior members of management across all areas of the business, met regularly in the year to review the Group's risk register, ensure that risk management continued to be embedded and operate effectively within the business, to identify emerging risks and review risk triggers. 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 and indeed the world has faced.

As part of the risk management of the Taw Wharf scheme (which is the main Anchorwood Limited development), the Anchorwood project group has continued to meet weekly to review the project risk register as well as any new or emerging risks and the project risk register is reviewed by the Anchorwood Board at each meeting. Discussions about the risks being managed by Anchorwood Ltd inform the scoring of Group Risk 67 "Failure of Anchorwood Ltd to deliver the outcomes agreed in its Corporate Plan (e.g. units, income) within budget and planned timescales".

Our customer involvement framework is well embedded in our control environment 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 Board Partnership and ultimately the Board. This approach provides further assurance over performance and key policies, which form a key part of the internal control environment.

Report of the Board on Internal Control (continued)

The Group produces a three-year Corporate Plan and a 30-year financial Business Plan, which is updated on at least an annual basis and which is supported by detailed financial budgets and forecasts. The Business 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 assessment of economic impacts on the Group's activities, during a period of volatile and challenging economic conditions. This has been considered in the context of challenges to NDH delivering its charitable objectives, delivery of market sale properties through Anchorwood and the impact of the cost-of-living crisis on customers.

The day-to-day operation of internal control is delegated to the Executive. 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 the Group Standing Orders and Financial Regulations and are subject to periodic review.

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

- Anti-Fraud, Bribery and Corruption
- Group Code of Conduct
- Group Probity, Hospitality, Gifts and Interests
- Integrity at Work
- Information Security
- Data Protection
- Disciplinary
- Anti-Money Laundering
- Investment
- Income Collection and Debt Recovery
- Treasury Management (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 RSM were employed as internal auditors during the year. The Group also employs consultants, where necessary, who provide specialist support, advice and training. Hargreaves Risk and Strategy consultants are also engaged to provide specialist advice on risk and Altair and Aquila Treasury and Finance Solutions are engaged to provide governance, funding and treasury advice.

The Group has an anti-fraud, bribery and corruption policy in place covering prevention, detection and reporting of fraud. The Board reviews the fraud register at each Board meeting and can confirm that there have been no frauds against the Group during the year that have resulted in any losses.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can and has appointed a Group Audit and Risk Committee to oversee risk and internal control. A full report on Internal Controls Assurance was provided to the Group Audit and Risk Committee on 6 March 2023 and the results of the Board's subsequent review of that report are the basis of this statement.

Report of the Board on Internal Control (continued)

The Group 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 Group 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 Group Audit and Risk Committee should they identify any material internal control concerns.

By order of the Board

Colin Dennis
Chair of the Board

11 September 2023

Independent Auditors' report to the members of North Devon Homes

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Devon Homes (the 'parent association') and its subsidiary ('the group') for the year ended 31st March 2023, which comprise the Consolidated and Association Statements of Comprehensive Income, the Consolidated and Association Statements of Financial Position, the Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Reserves, Association Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent association's affairs as at 31 March 2023 and of the group's and the parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and North Devon Homes' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board members with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Board members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' 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.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 33, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the group's and the 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 Board either intends to liquidate the group or the parent association or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the association and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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

In addition, we evaluated the board's and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls and determined that the principal risks related to: posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the carrying value of fixed assets and the capitalisation of costs, defined benefit pension scheme liability, the classification of loans as basic or other and revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 auditor's report.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Richard Bott

Richard Bott
For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
90 Victoria Street
Bristol
BS1 6DP

27 September 2023

Consolidated and Association Statements of Comprehensive Income for the year ended 31 March 2023

	Note	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Turnover	2	22,977	18,912	20,052	17,790
Operating Expenditure	2	(18,511)	(14,434)	(15,563)	(13,320)
Gain on disposal of property, plant and equipment	3	546	546	785	785
Operating Surplus	**2**	**5,012**	**5,024**	**5,274**	**5,255**
Share of operating gain/(loss) in associate	11	2	-	-	-
Interest receivable	4	99	147	13	42
Interest and Financing Costs	5	(4,807)	(4,807)	(4,546)	(4,546)
Surplus on revaluation of investment properties	10c	303	303	467	467
Surplus before taxation		**609**	**667**	**1,208**	**1,218**
Taxation	9	-	-	-	-
Surplus for the year		**609**	**667**	**1,208**	**1,218**
Actuarial gain/(loss) in respect of pension schemes	21	2,345	2,345	1,652	1,652
Total Comprehensive Income/(expense) for the year		**2,954**	**3,012**	**2,860**	**2,870**

Consolidated and Association Statements of Financial Position as at 31 March 2023

Registered number 03674687

	Note	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Fixed assets					
Intangible Assets	10a	1,097	1,097	1,134	1,134
Tangible fixed assets – Housing Properties	10b	160,094	160,869	158,207	158,982
Other property, plant & equipment	10c	3,035	2,946	2,857	2,763
Total fixed assets		**164,226**	**164,912**	**162,198**	**162,879**
Investments					
Investment Properties	10c	3,185	3,185	2,827	2,827
Investment in Subsidiary	11	-	2,300	-	2,300
Investment in Associates	11	103	5	101	5
Other investments	11	403	403	399	399
		3,691	**5,893**	**3,327**	**5,531**
Debtors due after more than one year	12b	**145**	**1,146**	**145**	**1,096**
Total investments and debtors due after more than one year		**3,836**	**7,039**	**3,472**	**6,627**
Current assets					
Debtors	12a	2,746	3,044	3,763	2,497
Stock	13	4,711	330	5,588	71
Cash and cash equivalents		13,120	13,028	15,419	15,297
Total current assets		**20,577**	**16,402**	**24,770**	**17,865**
Creditors: amounts falling due within one year	14	(20,516)	(19,408)	(7,501)	(3,674)
Net current assets		**61**	**(3,006)**	**17,269**	**14,191**
Total assets less current liabilities		**168,123**	**168,945**	**182,939**	**183,697**
Creditors: amounts falling due after more than one year	15	(102,619)	(102,566)	(117,864)	(117,811)
Defined Benefit pension liability	21	(1,674)	(1,674)	(4,193)	(4,193)
Net assets		**63,830**	**64,705**	**60,882**	**61,693**
Capital and Reserves					
Income & Expenditure reserve		19,777	20,652	16,829	17,640
Revaluation reserve		44,053	44,053	44,053	44,053
		63,830	**64,705**	**60,882**	**61,693**

These Financial Statements together with the associated notes on pages 46 to 83 were approved and authorised for issue by the Board on 11 September 2023 and were signed on its behalf by:

Colin Dennis
Chair

Iain Springate
Company Secretary

Consolidated Statement of Cash Flows for the year ended 31 March 2023

	Note	Group 2023 £'000	Group 2022 £'000
Net cash generated from operating activities	16	**9,479**	**8,897**
Cash flows from Investing Activities:			
Purchase of tangible and intangible fixed assets		(5,873)	(6,499)
Proceeds from sale of tangible fixed assets		1,240	1,461
RTB Sharing Agreement		(246)	(77)
Grant received		139	4
Interest received		97	13
Net cash used in investing activities		**(4,643)**	**(5,098)**
Cash flows from Financing Activities:			
Interest paid		(4,742)	(4,623)
New secured loans		3,407	2,730
Repayment of Borrowings		(5,780)	(1,045)
Capital element of and finance lease rental payments		(20)	(7)
Investments		-	(91)
Net cash generated (used in)/from financing activities		**(7,135)**	**(3,036)**
Net increase in cash and cash equivalents	16	(2,299)	763
Cash and cash equivalents at beginning of year	16	15,419	14,656
Cash and cash equivalents at end of year	**16**	**13,120**	**15,419**

Consolidated Statement of Changes in Reserves for the year ended 31 March 2023

Group	Income and Expenditure Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance as at 1 April 2021	13,969	44,458	58,427
Surplus from Statement of Comprehensive Income for the year	1,208	-	1,208
Reversal of unrealised surplus on revaluation of Fixed Assets	-	(405)	(405)
Actuarial gain in respect of pension schemes	1,652	-	1,652
Balance as at 31 March 2022	**16,829**	**44,053**	**60,882**
Surplus from Statement of Comprehensive Income for the year	609	-	609
Actuarial gain in respect of pension schemes	2,345	-	2,345
Adjustment due to Subsidiary Reserve	(6)	-	(6)
Balance as at 31 March 2023	**19,777**	**44,053**	**63,830**

Association Statement of Changes in Reserves for the year ended 31 March 2023

Association	Income and Expenditure Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance as at 1 April 2021	14,770	44,458	59,228
Surplus from Statement of Comprehensive Income for the year	1,218	-	1,218
Reversal of unrealised surplus on revaluation of Fixed Assets	-	(405)	(405)
Actuarial gain in respect of pension schemes	1,652	-	1,652
Balance as at 31 March 2022	**17,640**	**44,053**	**61,693**
Surplus from Statement of Comprehensive Income for the year	667	-	667
Actuarial gain in respect of pension schemes	2,345	-	2,345
Balance as at 31 March 2023	**20,652**	**44,053**	**64,705**

Notes to the Financial Statements for the year ended 31 March 2023

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 statements as required by statute, 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 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 2022. The accounts are prepared under the historical cost convention.

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 Financial Statements have been prepared on a going concern basis, which the Directors consider to be appropriate for the reasons below.

The Group prepares a 30-year business plan, which is updated and approved on an annual basis. The most recent business plan was approved in May 2023. As part of the business plan approval the Board updated its stress testing and multi-variate scenario testing against the base plan, and particularly considered impacts of a challenging operating environment with high inflation, cost-of-living crisis impacting customers and staff, increasing customer and regulatory expectations, alongside a 7% capped rental income increase for the year 2023/24 (with inflation well above this). The Board is particularly mindful of its exposure to housing market risk and the risk of significant downturn impacting sales prices and demand and performance against the business plan forecasts is a key focus for the coming year. The stress and scenario testing impacts were measured against loan covenants and cash facilities, with potential mitigating actions identified where these would be necessary.

The Board, after reviewing the Group 30-year business plan and budget for 2023/24 is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue in business for the foreseeable future.

The Board believes the Group and Association has sufficient funding in place and expects the Group to be able to comply with loan covenants, even with severe scenarios occurring, due to the recovery actions that it has identified and prioritised. The Board has set golden rules and a risk appetite against these in order to ensure that covenant compliance is maintained and early warnings of a downward movement in performance that impacts loan covenants are identified.

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

1 Accounting Policies (continued)

Going concern (continued)

Therefore, despite the current challenges of the operating environment, the Board continues to believe that the Group and Association are well placed to manage their business risks successfully and that the Group and Association have 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:

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.

Onerous contracts
Where construction contracts are loss-making, if management has assessed that the contract is onerous a provision is made based on forecast cost estimates. The provisions will be unwound over the remaining term of the contract.

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 undertaken an impairment assessment as part of its preparation of the Financial Statements and in light of the challenging economic climate and cost-of-living crisis. 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.

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

1 Accounting Policies (continued)

Significant Judgements and key sources of estimation uncertainty (continued)

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, inflation, asset valuations and the discount rate applied. 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.

Impairment of non-financial assets
Reviews for impairment are carried out when a trigger has occurred and any impairment loss is recognised by a charge to the Statement of Comprehensive Income.

The Group has assessed that the challenging and uncertain economic climate and cost-of-living crisis represents a trigger for impairment and has undertaken a review which has included the office property fixed asset and Anchorwood's Taw Wharf scheme. 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.

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

1 Accounting Policies (continued)

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.

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 on a straight line basis 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 2023 (continued)

1 Accounting Policies (continued)

Depreciation (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		

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 2023 (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.

Following the assessment of the indicators of impairment, it was viewed that the high inflationary environment and resulting potential impacts was a trigger for impairment in relation to Work in Progress (WIP) and investment property. An impairment review was undertaken for the following areas:

- market sale properties at Taw Wharf, Barnstaple (including WIP)
- the investment part of the Head Office site at Westacott Road, Barnstaple

Following a detailed review, no impairment was identified and so no adjustment to carrying values was required.

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.

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

1. Accounting Policies (continued)

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.

Stock and work in progress
Stock (including materials 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 sale 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.

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

1 Accounting Policies (continued)

Corporation Tax (continued)

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.

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).

<u>Defined contribution scheme</u>
The Association participates in the SHPS multi-employer 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.

<u>Defined benefit schemes</u>
SHPS
The Association also contributes to the SHPS multi-employer defined benefit scheme for past service retirement benefits (as the scheme is closed to future accrual). 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. The amounts charged to operating surplus are the costs arising from employee services rendered during the period 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

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

1 Accounting Policies (continued)

Pensions (continued)

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.

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
There are currently no restricted reserves.

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 2023 (continued)

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

Income and expenditure from general needs lettings	2023			2022		
	Turnover	**Operating Costs**	**Operating Surplus /(Deficit)**	Turnover	Operating Costs	Operating Surplus /(Deficit)
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Social Housing Lettings (note 2b)	**16,507**	**(13,398)**	**3,109**	15,883	(12,390)	3,493
Other social housing activities:						
Shared ownership first tranche sales	**361**	**(159)**	**202**	460	(278)	182
Charges for support services	**88**	**(508)**	**(420)**	55	(275)	(220)
Other activities	**383**	**-**	**383**	277	-	277
Other Grants	**273**	**-**	**273**	-	-	-
Non-social housing activities						
Other activities	**5,365**	**(4,446)**	**919**	3,328	(2,620)	708
Other Grants	**-**	**-**	**-**	49	-	49
Total	**22,977**	**(18,511)**	**4,466**	20,052	(15,563)	4,489

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

Income and expenditure from general needs lettings	2023			2022		
	Turnover	**Operating Costs**	**Operating Surplus /(Deficit)**	Turnover	Operating Costs	Operating Surplus /(Deficit)
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Social Housing Lettings (note 2b)	**16,507**	**(13,398)**	**3,109**	15,883	(12,390)	3,493
Other social housing activities:						
Shared ownership first tranche sales	**361**	**(159)**	**202**	460	(278)	182
Charges for support services	**88**	**(508)**	**(420)**	55	(275)	(220)
Other activities	**383**	**-**	**383**	277	-	277
Other Grants	**273**	**-**	**273**	-	-	-
Non-social housing activities						
Other activities	**643**	**(369)**	**274**	835	(377)	458
Gift Aid	**657**	**-**	**657**	231	-	231
Other Grants	**-**	**-**	**-**	49	-	49
Total	**18,912**	**(14,434)**	**4,478**	17,790	(13,320)	4,470

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

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

	General needs	Supported Housing	2023 Total	2022 Total
	£'000	**£'000**	**£'000**	£'000
Rent receivable net of identifiable service charges	13,359	2,294	**15,653**	15,120
Service charge income	241	457	**698**	605
Amortised Government Grants	156	-	**156**	158
Turnover from social housing lettings	**13,756**	**2,751**	**16,507**	15,883
Expenditure on lettings:				
Management	(1,741)	(353)	**(2,094)**	(2,005)
Service charge costs	(299)	(710)	**(1,009)**	(918)
Routine maintenance	(2,668)	(682)	**(3,350)**	(3,423)
Planned maintenance	(874)	(177)	**(1,051)**	(1,289)
Major repairs expenditure*	(2,386)	(459)	**(2,845)**	(1,902)
Bad debts	(68)	(12)	**(80)**	(36)
Depreciation of housing properties	(2,575)	(394)	**(2,969)**	(2,817)
Operating expenditure on Social Housing Lettings	**(10,611)**	**(2,787)**	**(13,398)**	(12,390)
Operating surplus/(deficit) on social housing lettings	**3,145**	**(36)**	**3,109**	3,493
Void losses	(78)	(42)	**(120)**	(81)

*included within major repairs is £597k costs in relation to energy efficiency and Social Housing Decarbonisation Fund works.

Notes to the Financial Statements for the year ended 31 March 2023 (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**	**Stair-casing Sales £'000**	**2023 Total £'000**	2022 Total £'000
Proceeds of sales (gross)	319	415	315	191	**1,240**	1,461
Less costs of sales	(107)	(213)	(83)	(53)	**(456)**	(428)
	212	202	232	138	**784**	1,033
NDC sharing of proceeds agreement	(238)	-	-	-	**(238)**	(248)
Surplus/(deficit) on disposal	**(26)**	**202**	**232**	**138**	**546**	785

4 Interest receivable

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Interest receivable	**99**	**147**	13	42

5 Interest and financing costs

Group and Association	**Group 2023 £'000**	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Net Interest on defined benefit liability pension (see Note 21)	**106**	**106**	118	118
Interest payable	**4,697**	**4,640**	4,349	4,325
Funding Management Charge	**121**	**121**	146	146
	4,924	**4,867**	4,613	4,589
Borrowing costs capitalised	**(117)**	**(60)**	(67)	(43)
	4,807	**4,807**	4,546	4,546

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

6 Surplus before taxation

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation of tangible fixed assets	**3,130**	**3,126**	**2,965**	**2,959**
Amortisation of intangible fixed assets	**321**	**321**	**198**	**198**
Auditors' remuneration:				
- Statutory Audit	**40**	**32**	**37**	**29**
- Taxation compliance services	**8**	**6**	**6**	**4**
- Other services	**3**	**3**	**6**	**6**
Other operating lease rentals	**214**	**214**	**178**	**178**

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 £**	**2023 Total £**	**2022 Total £**
Chief Executive M Gimber	134,885	4,809	9,778	**149,472**	**145,323**
Director of Neighbourhoods M Rostock	98,097	4,487	7,178	**109,762**	**106,731**
Finance Director P Butler	97,659	4,455	6,836	**108,950**	**105,917**
Total	**330,641**	**13,751**	**23,792**	**368,184**	**357,971**

The values above include any accrued amounts as at 31 March 2023.

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

7 Directors' remuneration and transactions (continued)

Non-Executive Directors

	Group 2023 £	Association 2023 £	Group 2022 £	Association 2022 £
C Dennis (Chair)	**9,861**	**9,861**	1,595	1,595
R Stronge	**1,276**	**1,276**	9,861	9,861
A Butt	**7,000**	**7,000**	7,699	6,610
J Barrah	**3,827**	**3,827**	3,827	3,827
D Hay	**3,827**	**3,827**	3,827	3,827
S Ingman	**3,827**	**3,827**	3,827	3,827
D Lloyd-Evans	**3,827**	**3,827**	4,915	3,827
S Lowther	**2,928**	**2,928**	3,827	3,827
S Murray	**3,827**	**3,827**	3,827	3,827
P Oldroyd	**6,065**	**6,065**	6,065	6,065
S Sanger-Anderson	**6,065**	**6,065**	6,221	5,133
Total	**52,330**	**52,330**	55,491	52,226

Expenses paid during the year to Board Members amounted to £3,825 (2022: £1,453).

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 2023 (continued)

8 Employee Information

Group and Association

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

	2023 No.	2022 No.
Office staff	**92**	89
Maintenance staff	**43**	34
Wardens, caretakers and cleaners	**7**	9
	142	132

Staff costs for the above employees	**2023 £'000**	2022 £'000
Wages and salaries	**4,462**	3,894
Social security costs	**463**	380
Pension costs	**363**	325
	5,288	4,599

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

	2023 No.	2022 No.
Remuneration between £60k and £70k	**4**	4
Remuneration between £70k and £80k	**2**	-
Remuneration between £80k and £90k	**-**	-
Remuneration between £90k and £100k	**1**	-
Remuneration between £100k and £110k	**2**	2
Remuneration between £120k and £130k	**-**	-
Remuneration between £130k and £140k	**-**	-
Remuneration between £140k and £150k	**1**	1

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

9 Taxation

The tax charge comprises:

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Current tax	**-**	**-**	-	-
Adjustment in respect of previous periods	**-**	**-**	-	-
Total tax per income statement	**-**	**-**	-	-

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

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Profit for the period	**1,311**	**667**	1,476	1,219
Tax on profit at standard UK tax rate of 19% (2022: 19%)	**248**	**126**	280	232
Effects of:				
Expenses not deductible for tax purposes	**3,656**	**3,656**	3,403	3,403
Income not taxable for tax purposes	**(3,782)**	**(3,782)**	(3,635)	(3,635)
Effects of group relief/other reliefs	**(120)**	**-**	(47)	-
Other permanent differences	**(2)**	**-**	(1)	-
Tax for the period	**-**	**-**	-	-

10a Intangible assets

Group and Association

	Computer Software £'000	Total £'000
Cost		
As at 1 April 2022	1,408	1,408
Additions	284	284
Transfers	-	-
As at 31 March 2023	**1,692**	**1,692**
Accumulated amortisation		
As at 1 April 2022	274	274
Charge for the year	321	321
As at 31 March 2023	**595**	**595**
Net book value as at 31 March 2023	**1,097**	**1,097**
Net book value as at 31 March 2022	1,134	1,134

Intangible assets are software projects which are amortised on completion in accordance with the accounting policy in Note 1(page 46).

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

10b Tangible fixed assets - Housing Properties

Group

	Social Housing property under construction £'000	Social housing property for letting completed £'000	Shared Ownership property under construction £'000	Shared Ownership completed £'000	Total £'000
Cost or deemed cost					
As at 1 April 2022	882	175,472	55	4,618	181,027
Additions	443	700	277	242	1,662
Component additions/replacements*	-	3,538	-	-	3,538
Disposals	-	(1,282)	-	(52)	(1,334)
Transfers	-	-	-	-	-
As at 31 March 2023	**1,325**	**178,428**	**332**	**4,808**	**184,893**
Accumulated depreciation					
As at 1 April 2022	-	22,632	-	188	22,820
Charge for the year (including accelerated depreciation)	-	2,941	-	33	2,974
Disposals	-	(994)	-	(1)	(995)
As at 31 March 2023	**-**	**24,579**	-	**220**	**24,799**
Net book value as at 31 March 2023	**1,325**	**153,849**	**332**	**4,588**	**160,094**
Net book value as at 31 March 2022	882	152,840	55	4,430	158,207

*included within component additions/replacements cost is £202k in relation to energy efficiency and Social Housing Decarbonisation Fund works.

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

10b Tangible fixed assets - Housing Properties (continued)

Association

	Social Housing property under construction £'000	Social housing property for letting completed £'000	Shared Ownership Property under construction £'000	Shared Ownership Completed £'000	Total £'000
Cost or deemed cost					
As at 1 April 2022	1,657	175,472	55	4,618	181,802
Additions	443	700	277	242	1,662
Component additions/replacements*	-	3,538	-	-	3,538
Disposals	-	(1,282)	-	(52)	(1,334)
As at 31 March 2023	**2,100**	**178,428**	**332**	**4,808**	**185,668**
Accumulated depreciation					
As at 1 April 2022	-	22,632	-	188	22,820
Charge for the year (including accelerated depreciation)	-	2,941	-	33	2,974
Disposals	-	(994)	-	(1)	(995)
As at 31 March 2023	**-**	**24,579**	**-**	**220**	**24,799**
Net book value as at 31 March 2023	**2,100**	**153,849**	**332**	**4,588**	**160,869**
Net book value as at 31 March 2022	1,657	152,840	55	4,430	158,982

*included within component additions/replacements cost is £202k in relation to energy efficiency and Social Housing Decarbonisation Fund works.

Notes to the Financial Statements for the year ended 31 March 2023 (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 2022	2,827	3,024	292	1,161	233	7,537
Additions	55	84	-	250	-	389
Revaluation	303	-	-	-	-	303
As at 31 March 2023	**3,185**	**3,108**	**292**	**1,411**	**233**	**8,229**
Accumulated depreciation						
As at 1 April 2022	-	595	82	946	230	1,853
Charge for the year	-	56	14	86	-	156
As at 31 March 2023	**-**	**651**	**96**	**1,032**	**230**	**2,009**
Net book value as at 31 March 2023	**3,185**	**2,457**	**196**	**379**	**3**	**6,220**
Net book value as at 31 March 2022	2,827	2,429	210	215	3	5,684

The Investment Properties, which are all freehold, were valued to fair value at 31 March 2023 based on a valuations undertaken by Vickery Holman Limited, Property Consultants and Webbers who are independent valuers with recent experience in the location and class of the investment property being valued. The valuations are not reported as being subject to material valuation uncertainty.

The carrying value of the investment properties that would have been recognised had the assets been carried under the cost model is £2,011k (2022: £1,956k).

Notes to the Financial Statements for the year ended 31 March 2023 (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 2022	2,827	3,024	292	1,042	233	7,418
Additions	55	84	-	250	-	389
Revaluation	303	-	-	-	-	303
As at 31 March 2023	**3,185**	**3,108**	**292**	**1,292**	**233**	**8,110**
Accumulated depreciation						
As at 1 April 2022	-	595	82	921	230	1,828
Charge for the year	-	56	14	81	-	151
As at 31 March 2023	**-**	**651**	**96**	**1,002**	**230**	**1,979**
Net book value as at 31 March 2023	**3,185**	**2,457**	**196**	**290**	**3**	**6,131**
Net book value as at 31 March 2022	2,827	2,429	210	121	3	5,590

Notes to the Financial Statements for the year ended 31 March 2023 (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 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Investment in Advantage South West LLP	**103**	**5**	101	5
Investment in Anchorwood Limited	**-**	**2,300**	-	2,300
Investment in MORHomes PLC	**83**	**83**	82	82
Investment in South West Mutual Ltd	**5**	**5**	5	5
Investment in Affordable Housing Finance PLC	**315**	**315**	312	312
	506	**2,708**	500	2,704

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 2023 was £103k (2022: £101k) and share of profits for the year was £2k (2022: £nil).

Anchorwood Limited: The subsidiary company was established in June 2015. NDH has a 100% shareholding. The net assets at 31 March 2023 were £2,293k (2022: £2,320k) and profit before tax for the year ended 31 March 2023 was £627k (2022: £251k profit).

MORHomes PLC: The Group's investment represents 82,500 ordinary shares of £0.10 each.

South West Mutual Ltd: The Group's investment represents 333 of founders' shares.

Affordable Housing Finance PLC; The Group's investment represents monies required to be held (including interest) in the Liquidity Reserve Fund, in accordance with the loan agreement.

Registered office addresses for the investment companies are:

Advantage South West LLP, Collins House, Bishopstoke Road, Eastleigh, Hampshire, SO50 6AD

MORHomes PLC, Future Business Centre, Kings Hedges Road, Cambridge, CB4 2HY

South West Mutual Ltd, Devonport Guildhall, Ker Street, Plymouth, PL1 4EL

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 2023 (continued)

12a Debtors – amounts falling due within one year:

	Group	**Association**	Group	Association
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Rental arrears	**289**	**289**	220	220
Less provisions for bad debts	**(245)**	**(245)**	(165)	(165)
	44	**44**	55	55
Prepayments and accrued income	**515**	**515**	585	585
Amounts owed by subsidiary company	**-**	**656**	-	107
Other debtors	**2,187**	**1,829**	3,123	1,750
	2,746	**3,044**	3,763	2,497

Included in other debtors is £1.534m (2022: £1.523m) 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.

12b Debtors – amounts falling due after one year:

	Group	**Association**	Group	Association
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Amounts owed by subsidiary company	**-**	**1,001**	-	951
Other debtors	**145**	**145**	145	145
	145	**1,146**	145	1,096

Included in amounts owed by subsidiary company 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 £0.858m (2022: £0.808m). The loan facility (excluding equity) at the end of the year was £4.199m (2022: £4.877m) and is repayable in July 2025. Interest payable during the year was initially at 3 month LIBOR which subsequently reverted to base rate plus 3.35% from 1 January 2023 (2022: LIBOR plus 3.35%).

Other debtors of £145k (2022: £145k) represents amounts placed as additional security with Lloyds Bank PLC in respect of properties released from charge.

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

13 Stock

	Group	**Association**	Group	Association
	2023 £'000	**2023 £'000**	2022 £'000	2022 £'000
Completed properties/properties held for sale	**389**	**-**	71	71
Work in progress	**3,992**	**-**	5,517	-
Materials	**330**	**330**	-	-
	4,711	**330**	5,588	71

14 Creditors: amounts falling due within one year

	Group	**Association**	Group	Association
	2023 £'000	**2023 £'000**	2022 £'000	2022 £'000
Rent and other receipts in advance	**576**	**576**	591	591
Trade creditors	**1,516**	**843**	909	771
Amounts due under Right to Buy sharing agreement	**239**	**239**	246	246
Grant received in advance	**139**	**139**	-	-
Deferred capital grant	**156**	**156**	157	157
Other taxation and social security	**97**	**97**	89	89
Interest accruals	**768**	**768**	25	25
Other creditors	**21**	**-**	781	-
Loans*	**15,000**	**15,000**	2,315	-
Accruals and deferred income	**2,004**	**1,590**	2,388	1,795
	20,516	**19,408**	7,501	3,674

*subsequent to the 31 March 2023, a variation to the loan facility with Lloyds Bank plc was agreed and the loan repayment deadline for £15m of loans was extended to 2 April 2024.

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

15 Creditors: amounts falling due after more than one year

Group and association

	Group	**Association**	Group	Association
	2023 £'000	**2023 £'000**	2022 £'000	2022 £'000
Loans	**88,979**	**88,979**	104,235	104,235
Deferred capital grant	**13,403**	**13,403**	13,546	13,546
Recycled capital grant fund	**168**	**168**	30	30
Finance lease liability	**16**	**16**	-	-
Other creditors	**53**	**-**	53	-
	102,619	**102,566**	117,864	117,811
Defined Benefit Pension Schemes	**1,674**	**1,674**	4,193	4,193
	104,293	**104,240**	122,057	122,004

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

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

Debt Analysis

Group and association	**Group**	**Association**	Group	Association
Loans	**2023 £'000**	**2023 £'000**	2022 £'000	2022 £'000
Expiring in 1 year or more but less than 2 years	**-**	**-**	15,000	15,000
Expiring in more than 5 years	**88,979**	**88,979**	89,235	89,235
	88,979	**88,979**	104,235	104,235

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 5.05% (2022: 4.65%). Loan values include £594k (2022: £611k) of capitalised fees which are amortised on a straight line basis and £5,279k (2022: £5,552k) of loan premium amortised on a discounted cashflow basis.

The Group had one finance lease with ITEC printers, which began in the year.

	Group	**Association**	Group	Association
Finance Lease Liability	**2023 £'000**	**2023 £'000**	2022 £'000	2022 £'000
At 1 April	**-**	**-**	7	7
Additions	**20**	**20**	-	-
Amortisation	**(4)**	**(4)**	(7)	(7)
At 31 March	**16**	**16**	-	-

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

Deferred Income – Government Grants	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
At 1 April	**13,725**	**13,725**	13,916	13,916
Grants receivable	**106**	**106**	3	3
Transfer to recycled grant	**(138)**	**(138)**	(38)	(38)
Amortisation to comprehensive Income	**(134)**	**(134)**	(156)	(156)
At 31 March	**13,559**	**13,559**	13,725	13,725

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Amounts to be released within one year	**156**	**156**	157	157
Amounts to be released in more than one year	**13,403**	**13,403**	13,568	13,568
	13,559	**13,559**	13,725	13,725

15a Recycled Capital Grant

Group and Association

	2023 £'000	2022 £'000
At 1 April	**30**	19
Grants recycled in the year	**138**	11
	168	30
Repayment of grant	**-**	-
At 31 March	**168**	30

Withdrawals from the recycled capital grant fund will be used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

16 Statement of Cashflows
Cashflow from operating activities

	Group 2023 £'000	Group 2022 £'000
Surplus for the year	609	1,208
Adjustment for non-cash items:		
Depreciation of tangible fixed assets	3,130	2,965
Amortisation of intangible assets	321	198
Decrease / (increase) in stock	877	(70)
(Increase) / decrease in trade and other debtors	1,017	(1,168)
Increase in trade and other creditors	253	2,996
Pensions costs less contributions payable	(174)	(109)
Share of operating deficit/(surplus) in associate	(2)	-
Adjustments for investing or financing activities		
Proceeds from sale of property, plant and equipment	(546)	(785)
Increase in fair value of investment property	(303)	(466)
Government Grants utilised in the year	(156)	(158)
Interest Paid	4,807	4,546
Interest Received	(99)	(13)
Loan Fee amortisation	(255)	(247)
Net cash generated from operating activities	**9,479**	**8,897**

Analysis of changes in net debt

	At 31 March 2023 £'000	Cashflows £'000	At 31 March 2022 £'000
Cash and cash equivalents	**13,120**	(2,299)	15,419
Debt due after one year	**(88,979)**	15,256	(104,235)
Finance lease	**(16)**	(16)	-
Net debt	**(75,875)**	12,941	(88,816)

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

17 Financial Commitments

Capital commitments are as follows:

	Group	**Association**	Group	Association
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Contracted for but not provided for in the Financial Statements	**6,295**	**3,699**	4,828	3,384
Future expenditure approved by Directors but not contracted for at the year end	**-**	**-**	321	321
	6,295	**3,699**	5,149	3,705

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
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Payments due:-				
- Within one year	**124**	**124**	145	145
- Between one and five years	**72**	**72**	79	79
	196	**196**	224	224

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	**2023**	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Cash & Cash equivalents	**13,120**	**13,028**	15,419	15,297
Debtors	**2,746**	**3,004**	3,178	1,912
	15,866	**16,032**	18,592	17,209

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

Financial liabilities measured at amortised cost:	**Group**	**Association**	Group	Association
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Borrowings:				
Housing Loans	**88,979**	**88,979**	104,235	104,235
Total Borrowings	**88,979**	**88,979**	104,235	104,235
Other financial liabilities:				
Trade creditors	**934**	**261**	909	771
Accruals and other creditors	**2,586**	**2,172**	3,440	2,066
Finance leases	**16**	**16**	-	-
Total	**3,536**	**2,449**	4,349	2,837

Interest income and expense

	Group	**Association**	Group	Association
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Total interest income for financial assets at amortised cost	**99**	**147**	13	42
Total interest expense for financial liabilities at amortised cost	**4,807**	**4,807**	4,546	4,546

19 Housing Stock

Group and Association

	2023	2022
	Units	Units
Social housing		
General needs housing:		
• social rent*	**2,279**	2,278
• affordable rent	**425**	426
Housing for older people:		
• social rent	**510**	510
• affordable rent	**31**	31
Intermediate rent		
• general needs	**15**	15
• housing for older people	**3**	3
Low cost home ownership	**79**	75
Total owned	**3,342**	3,338
Accommodation managed for others	**16**	16
Total owned and/or managed for others	**3,358**	3,354
Non-social housing		
Accommodation let at market rent	**8**	8
Leasehold accommodation	**89**	89
Total owned and managed	**3,455**	3,451

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

19 Housing Stock (continued)

*General needs housing - social rent includes 10 (2022: 12) properties owned but managed by others.

There were 2,651 (2022: 2,655) properties with a fixed charge as at 31 March 2023. The net book value of these properties was £101,498k (2022: £100,722k).

20 Related Party transactions

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 £2k (2022: £nil). The Association paid membership fees to ASW of £15k (2022: £14k) and there were no amounts owed to ASW at 31 March 2023 (2022: £nil).

The Association has an investment of £2,300k (2022: £2,300k) in the share capital of its non-regulated subsidiary Anchorwood Limited and £858k (2022: £808k) in loans. As Anchorwood Limited is a wholly owned subsidiary, the exemption available under Financial Reporting Standard 8 has been applied and details of inter-company transactions in the year have not been disclosed.

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:

	2023 £'000	2022 £'000
Devon County Council		
Service cost	**68**	71
Administration Expenses	**3**	3
	71	74
Social Housing Pension Scheme		
Employer contributions	**272**	231
Administration Expenses	**20**	20
	292	251
Total payments	**363**	325

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

21 Pensions (continued)

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

	2023 £'000	2022 £'000
Actuarial gain / (loss)		
Devon County Council Pension Scheme	**2,508**	548
Social Housing Pension Scheme	**(163)**	1,104
	2,345	1,652

Defined benefit pension liability in respect of the pension schemes for the year:

	2023 £'000	2022 £'000
Devon County Council Pension Scheme	**732**	3,183
Social Housing Pension Scheme	**930**	998
SHPS deficit payment in advance	**12**	12
	1,674	4,193

Devon County Council Pension Scheme (DCCPS)

The DCCPS 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 2019 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2023 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2023 is £732k (2022: £3,183k).

The employer's contributions to the DCCPS Fund by the association for the year ended 31 March 2023 were £96k (2022: £93k) at a contribution rate of 22.2% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2024 has been set at 21.6%. Estimated employer's contributions to the DCCPS Fund during the accounting period commencing 1 April 2023 are £94k.

Statement of financial position

Net pension asset as at	2023 £'000	2022 £'000
Present value of the defined benefit obligation	**5,229**	7,896
Fair value of Fund assets (bid value)	**4,524**	4,747
Deficit	**705**	3,149
Present value of unfunded obligation	**27**	34
Net defined benefit liability	**732**	3,183

21 Pensions (continued)

Devon County Council Pension Scheme (DCCPS) (continued)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	2023 £'000	2022 £'000
Opening defined benefit obligation	**7,930**	8,262
Current service cost	**68**	71
Interest cost	**203**	159
Change in financial assumptions	**(2,238)**	(298)
Change in demographic assumptions	**(540)**	-
Experience loss/(gain) on defined benefit obligation	**125**	13
Estimated benefits paid net of transfers in	**(300)**	(284)
Contributions by Scheme participants and other employers	**10**	9
Unfunded pension payments	**(2)**	(2)
Closing defined benefit obligation	**5,256**	7,930

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

21 Pensions (continued)

Devon County Council Pension Scheme (DCCPS) (continued)

Reconciliation of opening and closing balances of the fair value of Fund assets	**31 Mar 2023 £'000**	31 Mar 2022 £'000
Opening fair value of Fund assets	**4,747**	4,583
Interest on assets	**121**	88
Return on assets less interest	**(186)**	263
Other actuarial gains / (losses)	**41**	-
Administration expenses	**(3)**	(3)
Contributions by employer including unfunded	**96**	93
Contributions by Scheme participants and other employers	**10**	9
Estimated benefits paid plus unfunded net of transfers in	**(302)**	(286)
Closing fair value of Fund assets	**4,524**	4,747

Amounts recognised in statement of comprehensive income	**31 Mar 2023 £'000**	31 Mar 2022 £'000
Service cost	**68**	71
Administration expenses	**3**	3
Amounts charged to operating costs	**71**	74
Net interest (charged to other finance costs)	**82**	71
Total loss	**153**	145

Re-measurement of net assets / (defined liability) in other comprehensive income	**31 Mar 2023 £'000**	31 Mar 2022 £'000
Return on Fund assets in excess of interest	(186)	263
Other actuarial gains / (losses) on assets	41	-
Change in financial assumptions	2,238	298
Change in demographic assumptions	540	-
Experience gain/(loss) on defined benefit obligation	(125)	(13)
Re-measurement of the net assets / (defined liability)	2,508	548

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

21 Pensions (continued)

Devon County Council Pension Scheme (DCCPS) (continued)

Principal actuarial assumptions:

Financial assumptions	**31 Mar 2023 % pa**	31 Mar 2022 % pa
Discount rate	4.80%	2.60%
Future salary increases	3.90%	4.35%
Future pension increases	2.90%	3.35%
Inflation assumption (CPI)	2.90%	3.35%

Mortality assumptions
The post-retirement mortality assumptions adopted to value the benefit obligation at March 2022 and March 2021 are based on the S2PA tables. The assumed life expectations on retirement at age 65 are:

	31 Mar 2023 no. of years	31 Mar 2022 no. of years
Males retiring today	21.8	22.7
Females retiring today	22.9	24.0
Males retiring in 20 years	23.1	24.0
Females retiring in 20 years	24.4	25.4

The estimated asset allocation for North Devon Homes as at 31 March 2023 is:

Asset breakdown	**31 March 2023 £000**	**31 March 2023 %**	31 March 2022 £000	31 March 2022 %
Gilts	**-**	**-**	632	13
UK equities	**357**	**8**	423	9
Overseas equities	**2,026**	**45**	2,387	50
Property	**397**	**9**	447	9
Infrastructure	**407**	**9**	268	6
Target return portfolio	**314**	**7**	439	9
Cash	**54**	**1**	56	1
Other bonds	**967**	**21**	97	2
Alternative assets	**2**	**-**	(2)	-
Total	**4,524**	**100**	4,747	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 2023 (continued)

21 Pensions (continued)

Social Housing Pension Scheme (SHPS)

SHPS is a multi-employer, defined benefit scheme. The most recent formal actuarial valuation was completed as at 30 September 2020.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 31 March 2023 is £930k (2022: £998k).

Statement of financial position

Net pension asset	31 Mar 2023 £'000	31 Mar 2022 £'000
Present value of defined benefit obligation	5,414	8,933
Fair value of plan assets	4,484	7,935
Net defined benefit liability	(930)	(998)

Reconciliation of opening and closing balances of the present value of scheme liabilities	£'000
Opening scheme liabilities as at 1 April 2022	**8,933**
Current service cost	**-**
Expenses	**7**
Interest expense	**244**
Actuarial (gains) due to scheme experience	**(653)**
Actuarial (gains) due to changes in demographic assumptions	**(11)**
Actuarial (gains) due to changes in financial assumptions	**(2,816)**
Benefits paid and expenses	**(290)**
Closing scheme liabilities as at 31 March 2023	**5,414**

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

21 Pensions (continued)

Social Housing Pension Scheme (SHPS) (continued)

Reconciliation of opening and closing balances of the fair value of plan assets	**£'000**
Opening fair value of plan assets as at 1 April 2022	**7,935**
Interest income	**220**
Experience on plan assets (excluding interest)	**(3,643)**
Contributions by employer	**262**
Benefits paid and expenses	**(290)**
Closing fair value of plan assets as at 31 March 2023	**4,484**

Amounts recognised in statement of comprehensive income	**2023 £'000**
Expenses	7
Amounts charged to operating costs	**7**
Net interest	24
Amounts charged to other finance costs	**24**
Defined benefit costs recognised in statement of comprehensive income	**31**

Defined benefit costs recognised in other comprehensive income	**31 Mar 2023 £'000**
Experience on plan assets	**(3,643)**
Experience gains on the plan liabilities	**653**
Effects of changes in the demographic assumptions	**11**
Effects of changes in the financial assumptions	**2,816**
Total amount recognised in other comprehensive income	**(163)**

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

21 Pensions (continued)

Social Housing Pension Scheme (continued)

Principal actuarial assumptions:

Financial assumptions	31 Mar 2023	31 Mar 2022
	% pa	% pa
Discount rate	4.84	2.78
Future Salary increases	3.80	4.14
Future Pension increases	2.84	3.17
Inflation assumption (RPI)	3.17	3.47
Inflation assumption (CPI)	2.80	3.14

Mortality assumptions
The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	31 Mar 2023 no. of years
Males retiring today	21.0
Females retiring today	23.4
Males retiring in 20 years	22.2
Females retiring in 20 years	24.9

Notes to the Financial Statements for the year ended 31 March 2023 (continued)

21 Pensions (continued)

Social Housing Pension Scheme (continued)

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

Asset breakdown	31 March 2023 £000s	31 March 2023 %	31 March 2022 £000s	31 March 2022 %
Global equity	**84**	**2**	1,523	19
Absolute return	**49**	**1**	318	4
Distressed opportunities	**136**	**3**	284	4
Credit relative value	**169**	**4**	264	3
Alternative risk premia	**8**	**-**	262	3
Fund of hedge funds	**-**	**-**	-	-
Emerging markets debt	**24**	**1**	231	3
Risk sharing	**330**	**7**	261	3
Insurance-linked securities	**113**	**3**	185	2
Property	**193**	**4**	214	3
Infrastructure	**512**	**11**	565	7
Private debt	**200**	**4**	203	3
Opportunistic illiquid credit	**192**	**4**	267	3
High yield	**16**	**-**	68	1
Opportunistic credit	**-**	**-**	28	-
Cash	**32**	**1**	27	-
Corporate bond fund	**-**	**-**	529	7
Liquid credit	**-**	**-**	-	-
Long lease property	**135**	**3**	204	3
Secured income	**206**	**5**	296	4
Liability driven investment	**2,065**	**46**	2,215	28
Currency hedging	**9**	**-**	(31)	-
Net current assets	**11**	**-**	22	-
Total	**4,484**	**100**	7,935	100

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

22 Group Members

North Devon Homes 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.