

# Derby Homes Financial Statement

---

2011/12

[www.derbyhomes.org](http://www.derbyhomes.org)



# **DERBY HOMES LIMITED**

(A company limited by guarantee)

Company No: 4380984

**Registered with  
The Housing & Communities Agency  
No: 4576**

## **Report and Financial Statements**

**Year ended 31 March 2012**

# **DERBY HOMES LIMITED**

(A company limited by guarantee)

Company No 4380984

## **Report and Financial Statements**

**Year ended 31 March 2012**

<b>Contents</b>	<b>Pages</b>
Board Members, Executive Officers, Advisors and Bankers	2
Report of the Directors	3 – 9
Statement of Directors' Responsibilities	10
Operating and Financial Review	11 - 19
Independent Auditor's Report to the Members of Derby Homes Limited	20 - 21
Income and Expenditure Account	22
Statement of Total Recognised Surpluses and Deficits	23
Balance Sheet	24
Cash Flow Statement	25 - 26
Notes to the Financial Statements	27 - 41

## **Report and Financial Statements Year Ended 31 March 2012**

### **Board Members, Executive Directors, Advisors and Bankers**

#### **Directors**

J P Bayliss	(appointed 25.02.02; resigned 09.05.06; re-appointed 25.05.07; resigned 04.05.12)
D J Rees	(appointed 28.02.02)
A G S Osler (Chair)	(appointed 28.02.02)
I M MacDonald	(appointed 28.02.02)
R Troup	(appointed 29.05.03; resigned 27.05.08; re-appointed 07.06.10; resigned 23.05.12)
T Ndlovu	(appointed 07.05.04)
R M Webb	(appointed 27.07.04; resigned 09.06.05; re-appointed 25.05.06)
M Redfern	(appointed 26.07.05)
K Whitehead	(appointed 24.10.07)
A Brown	(appointed 25.09.08; resigned 04.04.11)
J Bloxson	(appointed 29.01.09; resigned 27.10.11)
A Holme	(appointed 17.02.09)
S B Perry	(appointed 17.02.09)
M Barker	(appointed 07.06.10; resigned 25.05.11)
P Molson	(appointed 27.01.11; resigned 10.02.12)
J Keith	(appointed 25.05.11)
M Ainsley	(appointed 27.09.11)
M Menzies	(appointed 27.10.11)
A Martin	(appointed 23.05.12)
L Winter	(appointed 23.05.12)

#### **Executive officers**

P J Davies  
D Enticott  
S Bennett  
M J Murphy

#### **Secretary**

D Enticott

#### **Registered Office**

Floor 2  
South Point  
Cardinal Square  
10 Nottingham Road  
Derby  
DE1 3QT

#### **Solicitors**

Anthony Collins Solicitors LLP  
134 Edmund Street  
Birmingham  
B3 2ES

#### **Auditor**

PKF (UK) LLP  
5 Temple Square  
Temple Street  
Liverpool  
L2 5RH

#### **Bankers**

The Co-operative Bank  
East Street  
Derby  
DE1 2AL

## **Report of the Directors Year Ended 31 March 2012**

The Directors also referred to as the Board, present their annual report and the audited financial statements for the year ended 31 March 2012.

A list of the directors who have served during the year is included on page 2.

### **Date of Incorporation**

The date of incorporation was 25 February 2002 with trading commencing on 10 April 2002.

### **Principal Activities**

The principal activity of the company is to act as the managing agent of the stock of around 13,500 public sector properties owned by Derby City Council, also referred to as the council. Derby Homes Limited is an Arms Length Management Organisation or ALMO. This means that, while the council established the company and wholly owns it, it operates independently from it on day-to-day matters.

### **Review of Results**

The income and expenditure account for the period is set out on page 22. Following the processing of FRS17 transactions the business returned a surplus after taxation for the period of £621k. This was after a charge of £447k which arose from the application of FRS17 on accounting for pensions, as disclosed in Note 7 to the financial statements.

	£'000	£'000
Underlying operating surplus		1,068
FRS 17 adjustments:		
Add back of employer pension contributions paid in year	1,221	
Less current service costs	(1,504)	
Less net interest/return on assets	(164)	(447)
		<u>621</u>

In 2010/11 the council determined that the fee payable to Derby Homes for the management of its housing stock of 13,500 properties would be reduced over the period 2011/12 to 2014/15 by £1m in real terms, enabling a greater proportion of funding to be directed towards maintenance and capital than has previously been the case. As a result of this the company set in place an extensive programme of business transformation with the objective of generating savings to compensate for the reduction in fee. This programme has been successful and the operating surplus for the year reflects that the business transformation measures taken are already generating savings ahead of the planned reduction in fees.

In view of the measures taken, the Board is satisfied with the performance of the company.

## **Report of the Directors (continued)**

### **Year Ended 31 March 2012**

#### **Going Concern**

At its meeting on 26 July 2012, the Board of Derby Homes Ltd approved the statement that, in their opinion, Derby Homes Ltd has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements. This is based on the 10 year contract in place with Derby City Council to pay management fees in return for delivery of housing management and maintenance services, as prescribed in the Services Agreement. In addition, the council recognises that, following the processing of FRS17 accounting transactions, the company does not have sufficient reserves to offset the resultant pension fund deficit. The council therefore undertakes to provide continuing support to enable the financial statements of Derby Homes to be prepared on a going concern basis.

#### **The Board and Executive Officers**

The Board of Derby Homes Limited consists of 15 voluntary members. There are 4 tenant, 1 leaseholder, 5 councillor and 5 independent members. There is currently 1 tenant member vacancy. The makeup of the Board and their term of office is determined by Derby Homes Limited Memorandum and Articles of Association, which govern the Company.

The Board and Executive Officers are set out on page 2

Board members are registered as the Company Directors with Companies House. They have been selected to collectively provide the skills and competencies to successfully steer the Company in accordance with its Mission and Aims. The Executive Officers do not have the legal status of Company Directors; they act within the authority delegated by the Board.

#### **Corporate Governance**

The Board is responsible for the strategic direction of the Company and policy framework. Implementation of the framework and day to day management of the business is delegated to the Chief Executive and other Executive Officers who attend Board meetings and meet regularly between Board meetings.

The Company Governance Arrangements include:

- the Memorandum and Articles of Association
- standing orders for conduct of Board and General meetings
- City Board constitution
- delegation of responsibilities
- financial regulations
- contract procedure rules
- appointment and recruitment of Board members
- code of conduct for Board members
- standing orders for Appointment of Staff
- protocol on Board member, Executive team and staff relations
- services or management agreement between the Council and Derby Homes.

## **Report of the Directors (continued)**

### **Year Ended 31 March 2012**

The Board meets bi-monthly. Copies of the agenda for each meeting are published a week in advance and are available for public inspection at Derby Homes Head Office and at Local Housing Offices. The public is welcome to attend the meetings and, at the discretion of the Chair, may be invited to speak although only Board members have the right to speak and vote at Board meetings. Any confidential items will be clearly marked on the agenda according to Standing Orders.

Draft minutes of Board meetings are published on Derby Homes' website, [www.derbyhomes.org](http://www.derbyhomes.org) with agendas and reports.

The Board delegates some decision making to the following Boards or Committees:

- City Board
- Resources, Remuneration & Regeneration Committee.

Membership of these groups consists of Board members and, in the case of the City Board, tenant and leaseholder representatives.

#### **Audit Committee**

This Committee operates independently of the Chair of the Board, reporting to the directors and the members at the Annual General Meeting and is open to questions from members of the public.

The primary function of the Committee is to:

- monitor the integrity of financial statements of the company
- review the Company's internal financial control system and risk management system
- monitor and review the effectiveness of the company's internal audit function.

#### **Employee Involvement**

Derby Homes Ltd firmly believes there is a strong link between the provision of quality services to customers and a harmonious working environment, and this is best achieved where effective communications are established with management and employees. To support this, consultation with employees or the recognised trade unions has continued at all levels, with the aim of ensuring views are taken into account when decisions are made that are likely to affect their interests. Employees are made aware of the financial and economic performance of their business units and the company as a whole. Communication with all employees continues through electronic internal newsletters, team meetings and employee briefings.

Staff surveys reported improvements across a number of areas in respect of staff assessment of morale. The company is committed to the creation of a happy and productive work environment that values and encourages all employee contributions.

## **Report of the Directors (continued)**

### **Year Ended 31 March 2012**

The company continues to operate a policy of no compulsory redundancy. New employment opportunities will be found for those people who want to remain working at Derby Homes. This policy will be continued for at least the immediate future, but may have to be reviewed should restructuring in the future result in costs that cannot be supported. At the moment, this is not the case and the policy can continue to be applied.

### **Equality and Diversity**

The Directors of Derby Homes Ltd believe everyone has the right to the same access to services and employment opportunities, to respect and to feel safe and secure in their own home and neighbourhood. Everyone has a right to make use of the opportunities offered by Derby Homes Ltd and to use all parts of our service.

Through our Equalities Scheme, Actions Plans and Equality Impact Assessments the Board promotes diversity in the provision of our services and employment and will not tolerate discrimination. Derby Homes Ltd will make sure no individual or group applying for housing services or employment is treated less favourably than any other person or group because of their individual characteristics. These characteristics include, but are not limited to, disability, ethnicity, colour, race, religion, gender, sexual orientation and age. The Directors will work together with all service providers and customers to ensure that this commitment is met across the entire organisation.

Derby Homes is committed to promoting equal opportunities and valuing diversity. Our aim is equality for everyone who works for Derby Homes and uses our services. We recognise that we must have a workforce that is as diverse as the community we live in, so that we can provide the most effective services. Our objective is to create a workplace culture that respects and values each other's differences.

A diverse workforce adds value to any organisation, making it more responsive and flexible and making it a place where people want to work. Having a diverse workforce ensures that we have high levels of skills and understanding, that improves our ability to meet the needs and aspirations of the communities we serve.

### **Training Employees and the Board**

The Board is committed to training and developing Board members and employees. The organisation is recognised as an Investor-In-People. Performance reviews or job chats are carried out with every employee and a personal training plan developed. The company operates an annual Qualification Training Scheme open to all employees. This scheme enables employees to apply for financial assistance and paid leave to attend academic courses. An in-house training programme is operated. The company operates both an E-Induction training package for employees and E-training for Board Members. The Board has a training and development programme which includes an individual appraisal scheme which identifies personal areas for development. An annual training programme is carried



## **Report of the Directors (continued)**

### **Year Ended 31 March 2012**

out for Board members of compulsory and optional courses, both internally and externally run.

#### **Risk Management**

Derby Homes has a successful track record of managing risk as an integral part of its governance and management systems. Resources, Remuneration & Regeneration Committee approves a written risk management policy, strategy and framework which defines risk, sets out a statement of intent, identifies a risk framework and allocates responsibility and monitoring roles within the organisation.

Risk management means identifying the risks facing the company and deciding how to minimise them through implementing risk management action plans. Risks can have both adverse and positive consequences for the organisation. The risk management process helps to assess what these are likely to be and allows the organisation to make an informed decision about how to deal with the identified risk. Risk can never be eliminated completely, so risk management is used to ensure risks are identified and their consequences understood. Based on this information, action can be taken to ensure appropriate resources are directed at controlling the risk or minimising the effect of potential loss.

Each risk has a Risk Management Action Plan. Progress on these plans was reviewed and reassessed and scores updated in March 2012.

Risks are separated between strategic and operational and assessed for likelihood and impact and designated, red, amber and green. There were 2 strategic red risks and one operational red risk. The strategic red risks are:

- Risk 11 (almost certain and catastrophic) Supporting People grant continues to reduce. This risk is being dealt with by addressing the potential for a new extended tenancy sustainment service, extended to tenants requiring all forms of intensive housing management. Should this approach fail – and it is not considered likely at this stage – then the approach will be to reduce the service adequately to cope within severely limited resources after June 2013 when supporting people grant is likely to reduce by a large proportion. In either event, the otherwise potentially catastrophic impact on income will be managed.
- Risk 4 (possible and catastrophic impact) – Failure to anticipate and prepare for Government Policy change and economic climate impact on tenants: This issue is also being mitigated as far as possible and will be addressed during the coming year – there will inevitably be lower rental income for the Council and higher costs of collection for Derby Homes as a result, but these impacts can be managed in partnership with the Council. The financial impact will inevitably be large but managed towards the minimum possible within the constraints of the new arrangements.

## **Report of the Directors (continued)**

### **Year Ended 31 March 2012**

The operational red risk is:

- Failure to maintain complete and accessible database of customer profile information and failure to use the information to improve our customer service. (Possible and catastrophic impact): Again this relates to the requirement to update data with respect to bedroom tax welfare changes in 2013 onwards. This is being tackled over the next year and will be used to deliver information on these changes to tenants.

### **Internal Controls Assurance**

In accordance with good practice relating to Internal Controls Assurance, this statement is given in respect of the financial accounts for Derby Homes Limited. The Board acknowledges responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Ongoing development and maintenance of the system is undertaken by managers within the Company. In particular, the system includes:

- corporate governance arrangements operated through the Board and Committees
- standing orders and financial regulations
- an ongoing process for identifying, evaluating and managing significant risks faced by the Company
- comprehensive budgeting systems
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts; and
- other performance measures including performance information and BVPI reporting.

The Company procures internal audit services from Derby City Council. Internal audit's work is based on a risk assessment and complies with the CIPFA code of practice for internal audit. The Head of Audit and Risk Management reports the results of internal audit work to the Director and Company Secretary, and the Audit Committee. The Head of Audit and Risk Management also provides an independent opinion on the adequacy and effectiveness of the system of internal financial control.

## **Report of the Directors (continued)**

### **Year Ended 31 March 2012**

Our review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the company;
- the work of the internal auditors as described above; and
- the external auditors in their reports.

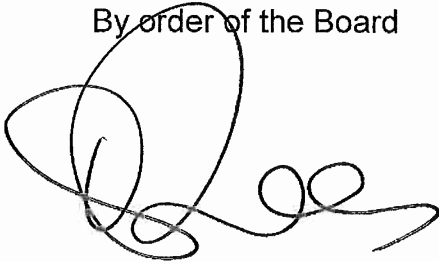
The Audit Committee has received the Chief Executive's annual report on internal control assurance on behalf of the Senior Management Team and has conducted its review of the effectiveness of the system of internal financial control. This review has included consideration of any changes needed to maintain the effectiveness of the risk management and control process.

### **Provision of Information to Auditor**

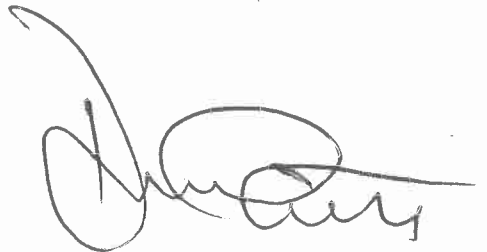
So far as each of the directors is aware at the time this report is approved:

- There is no relevant audit information of which the company's auditor is unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information (s234 ZA(2)).

By order of the Board



D Rees  
Vice Chair  
26 July 2012



D Enticott  
Secretary  
26 July 2012

## **Statement of Directors' Responsibilities**

### **Year Ended 31 March 2012**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law and law applicable to registered social housing providers in England require the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Housing SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Housing and Regeneration Act 2008. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

## **Operating and Financial Review Year Ended 31 March 2012**

### **Activities**

Derby Homes Limited is an Arms Length Management Organisation (ALMO), wholly owned by Derby City Council. This means that, while the council established the company, it operates independently from it on day-to-day matters. The ALMO was incorporated on 25 February 2002 and began trading on 10 April 2002.

The core business of Derby Homes is the management of and investment in Derby City Council's social housing stock comprising of 13,500 properties, under delegation from the council under section 27 of the Housing Act 1985.

This includes:

- Housing management of the council's residential stock, including rent calculation and collection, leasehold management, and repairs ordering
- Maintaining council housing and council owned public buildings through our Repairs Team (since 1 June 2010).
- Maintenance of the council's residential stock including asset management planning, preparing and monitoring the investment programme for Estates Pride and major capital works, planned maintenance and responsive repairs through providers and contractors and developing partnering arrangements
- Contributing to the council's Housing Strategy, working in partnership and developing other strategic initiatives
- Tenant involvement
- Financial control of the management fees drawn down from the Housing Revenue Account (HRA) and other income
- Calculation and collection of leasehold charges.

Derby Homes also directly provides services to 490 leaseholders of the council and has agreements with external landlords to manage and maintain 113 properties. These landlords include Spirita, Guinness and Northern Counties Housing Association, Lillian Prime Ltd and other private landlords.

Derby Homes is registered with the Tenants Services Authority and has built 10 properties for affordable rent which it manages, and has acquired 5 flats in a Victorian building which it owns and manages in partnership with Derwent New Deal.

The company also manages 17 units of temporary accommodation for homeless people, and provides short-term accommodation for people who are assessed as statutorily homeless. These services are provided on behalf of Derby City Council to fulfil its statutory homelessness responsibilities. The company also provides services to vulnerable tenants funded by the Supporting People Commissioning Board.

Derby Homes has worked with the council to successfully open a purpose built traveller's site, Imari Park.



## **Operating and Financial Review (continued)**

### **Year Ended 31 March 2012**

Derby Homes also runs the Family Intervention Project which offers a last chance opportunity for dysfunctional families to address their behaviour and avoid eviction. Derby Homes has continued to fund a reduced scale service despite the loss of all grant income from the government and Community Safety Partnership, and is working with the council to try and find a longer term funding source for the service.

During 2011/12, the company was responsible on behalf of the council for the procurement, supply and installation of solar panels to approximately 900 council properties, payment being received on a full cost recovery basis. The value of these works was around £6m and clearly increases the turnover of the company on a one off basis this year. In addition, 2011/12 was the first full financial year including the council's former DLO repairs operation which was taken over by Derby Homes in June 2010. This increases the turnover by over £2m a year on a permanent basis.

Derby Homes' original services agreement concluded on 31 March 2012 and Derby City Council has agreed a new contract with Derby Homes under which the company is responsible for the Housing Management & Maintenance Services from April 2012 for a further period of 10 years, with a break clause after 5 years. The clarity that this decision gives to the future role of Derby Homes is particularly welcome as it coincides with the reform of the Housing Revenue Account subsidy system, which will enable council housing finance to be managed locally.

The company currently has its headquarters at Cardinal Square, Derby and currently operates throughout the City of Derby area. The headquarters will move in the next financial year to Corporation Street, with maintenance operations being centred at the London Road Depot. It is expected that formal contracts for these moves will be signed during 2012/13.

### **Objectives**

Customer care is an essential part of our service delivery and we seek to engage and involve the communities that we serve. The ongoing commitment to customer care is evidenced by our promises to tenants which are that we will:

- Achieve 90% customer satisfaction with the overall service
- Keep 100% of homes at the Decent Homes standard
- Encourage tenants to get involved in improving the service
- Achieve the local standards set by tenants
- Deliver services that are accessible to all
- Get things right first time
- Keep tenants informed
- Support tenants who need to move to more suitable accommodation
- Reward good tenants and take action against bad tenants
- Provide services that are sensitive to the needs of vulnerable people.

The company has also gained accreditation to Customer Service Excellence, previously Charter Mark.

## **Operating and Financial Review (continued)**

### **Year Ended 31 March 2012**

In addition we have developed 23 Local Offers set by the Tenants and Leaseholders of Derby Homes. They cover the Home, Tenancy and Neighbourhood and Community standards. The Value for Money and Tenant Involvement and Empowerment standards are cross cutting and run in conjunction with these.

#### Home Standard

There are 10 Local Offers under this standard which assess how well we provide the Repairs and Maintenance service along with management of empty properties. 3 of the local offers within the Home standard have targets attached to them. Of these

Local Offers, 2 were fully met in 2011/12, with 1 just falling short of target. The other 7 have measures to monitor delivery of the local offer but no target attached.

#### Tenancy Standard

There are 6 Local Offers under this standard which assess how well we provide support to tenants and deliver our Income Management Services. These offers have measures to monitor delivery of the local offer but no target attached.

#### Neighbourhood and Community

There are 7 Local Offers under this standard which assess how well we provide our Neighbourhood Safety and Estate Services. These offers have measures to monitor delivery of the local offer but no target attached.

Derby Homes works with Derby City Council to make sure that it contributes appropriately to the Council Plan and the wider Derby Plan. In particular the following Council Plan objectives are supported by Derby Homes' activities:

The key strategic outcomes of the Council are to work together so that all people in Derby will enjoy:

- CP01 - A thriving sustainable economy
- CP02 - Achieving their learning potential
- CP03 - Good health and well-being
- CP04 - Being safe and feeling safe
- CP05 - A strong community
- CP06 - An active cultural life
- CP07 - Good quality service that meets local needs
- CP08 - A skilled and motivated workforce.

These commitments are contained within the Council Plan 2011/12 – 2013/14 and the Derby Plan for 2011 – 2026.

Details of our contributions to these strategic objectives are contained within Derby Homes Business & Delivery Plan 2012/13.

## **Operating and Financial Review (continued)**

### **Year Ended 31 March 2012**

**Principal themes of the Medium Term Finance Strategy and outcomes are as follows:**

The ten year contract to manage council housing until 2022 called for a reduction of £1m in the management fee over the four years to 2014/15 and in order to allow for the pressure on resources over that period a target for cost reduction of £1.2m was set. As at 31 March 2012 savings and cost reductions of £813k have been achieved compared to a target of £300k, and fee reduction of £250k. The savings of approximately £560k in advance of the first year of a four year programme are the principal reason for the substantial underlying surplus achieved in 2011/12. There are plans in place to deliver the remaining savings required over the remaining period. As a result it is anticipated that the overall budget should be in balance without further large scale savings as have been necessary during the last year. It is hoped that a period of greater stability in income and expenditure levels should now be possible over the next few years.

The strategy also called for efficiencies of £1m to be generated within the maintenance operations and for these to be reapplied to maintenance and capital spending to generate a higher level of service to tenants. Broadly this objective is on course to be met within the four year period.

It was proposed in the strategy that the budget process for 2012/13 would set budgets not just for one year but in outline for the following two years. This proposal was implemented with the result that the budget setting process was brought into line with the medium term finance strategy.

The financial result for the year shows a surplus after the FRS 17 pension adjustments of £621k and, while the balance sheet overall still shows a negative value of the company of just under £8m, this is due entirely to the pension fund deficit which now stands at £11.5m. This is being dealt with by increased contributions from Derby Homes relating to this deficit, over a period determined by Derbyshire County Council as pension fund administrators – currently 18 years. As a result of the overall deficit, the Company relies on the council to support it through a representation letter from the council's Director of Resources, which effectively underwrites the pension fund deficit of the company. If the pension fund deficit is removed, balance sheet reserves stand at £3.6m.

### **Operating Review**

The company received fees of £12.36m from the council for maintenance and repair of social housing in 2011/12 and operating costs amounted to £12.21m. These operations include Day to Day Repairs, Gas Servicing and Breakdowns, Specialist and Planned Works and other services. The surplus of £150k was due mainly to the timing of Specialist Works of around £100k and an underspend on the Day to Day and contingency budgets.

## Operating and Financial Review (continued)

### Year Ended 31 March 2012

In respect of the installation of Kitchens and Bathrooms fees receivable from the council's capital account amounted to £3m and this covered all operating costs and overheads resulting in a break even result. Completions and total costs were as follows:

	Completions	Total cost £'000	Average cost £'000
Kitchens	563	2,053	3.65
Bathrooms	410	959	2.34
<b>Total cost</b>		<b>3,012</b>	

The company's operations in relation to Public Buildings Works are also on a cost recovery basis. Fees receivable in 2011/12 were £1.4m and fully covered costs.

### Performance in the year

The financial result for the year ended 31 March 2012 was as follows:

	2012 £'000
Turnover	35,986
Operating costs (recurring)	(35,187)
Operating Surplus	799
Interest payable	(14)
Pension finance costs	(164)
<b>Surplus for the year</b>	<b>621</b>

## Operating and Financial Review (continued)

### Year Ended 31 March 2012

The Chair's Briefing meeting reviews the organisations performance indicators and the implementation of action plans arising from this. The table below is a sample of key performance indicators comparing performance for 2011/12 with 2010/11.

Indicator	Description	2010/11 Achieved	2011/12 Target	2011/12 Achieved
<b>Key Performance Indicators</b>				
DH Local 24 (BVPI 63)	Energy Efficiency - average SAP (Standard Assessment Procedure) rating of dwellings.	71.00	72.00	71.00
DH Local 7 (BVPI 66a)	Rent collected by the local authority as a proportion of rents owed on Housing Revenue Account (HRA) dwellings.	98.37%	98.10%	98.28%
DH Local 8 (BVPI 66b)	No. of tenants with more than seven weeks of (gross) rent arrears as a % of the total number of tenants.	6.57%	5.65%	6.49%
DH Local 27 (National Indicator 160)	Tenant Satisfaction with Landlord (All)	86.00%	85.00%	83.08%
DH Local (BVPI 75a/b/c)	Tenant Satisfaction with views taken into account	62.00%	68.00%	64.40%
(BVPI 164)	Does the authority follow the Commission for Racial Equality's Code of Practice in rented Housing and the Good Practice Standards for Social Landlords on tackling Harassment?	Yes		Yes
National Indicator 158	Non-Decent Local Authority Dwellings (percentage)	0.00%	0.00%	0.00%
DH Local 21 (BVPI 212)	Average time taken to re-let local authority housing.	24.91 days	23.50 days	23.32 days



## **Operating and Financial Review (continued)**

### **Year Ended 31 March 2012**

#### **Performance Highlights 2011/12**

In addition to assisting the council by installing 900 solar panels at a cost of £6m, Derby Homes has supported the council's use of the Community Energy Saving Programme (CESP) by using that funding alongside Council capital programme funding to improve insulation and heating to around 2,200 homes. These measures combine to make a significant impact on energy efficiency of those homes, reducing carbon and fuel poverty.

#### **Awards**

Derby Homes is proud to have won a couple of National Federation of ALMOs awards in 2011: Best Community Initiative for work to address barriers to employment faced by hearing impaired candidates, and for Best Use of Communication for the DVD 'It's not good enough' to increase awareness of the problems faced by tenants and leaseholders with learning difficulties.

The Tenants Review Panel has also been set up and has already issued their first report on the repairs service. Derby Homes has also been working with tenants on financial inclusion issues and has agreed additional resources to be put into this area from the HRA with the council.

Derby Homes has also been supporting the Osmaston Community Association of Residents (OSCAR), which has led to the formation of the country's largest Neighbourhood Watch scheme and a bid to the Homes and Communities Agency for funding for the redevelopment of the Osmaston estate.

Derby Homes has also entered the social networking world with a presence on Facebook and Twitter.

#### **Dynamics of the company**

The main factors that will have a potential impact on the future financial results include:

The Welfare Reform Act and resultant changes to the Housing Benefit system which may result in additional pressure on the company's housing management services. Departments particularly affected are those handling arrears and direct debit processing, both of which are likely to increase substantially.

Government policy and changing legislation is likely to encourage an increase in future Right to Buy Sales (RTBs) of council housing. It is too early to assess the scale of the impact of this but in the longer term it is likely to lead to reduced rental income for Derby City Council which in turn would result in reduced management fees being paid to the company. This loss of income is likely to be mitigated to a significant degree by the application by the council of a large portion of the income received from these sales into supply of additional council owned rented homes, using an agreement with the Secretary of State that allows such funds to be locally recycled in this way.

## **Operating and Financial Review (continued)**

### **Year Ended 31 March 2012**

In the shorter term, there is considerable doubt over the funding of the Company's services to vulnerable tenants which are currently funded by the Supporting People Commissioning Board. Adjustments have been made to the 2012/13 budget but any further material reduction in Supporting People income will involve either a need for alternative means of funding to be found or a restructuring of the service.

Any loss of work which is due to be re-tendered could result in a reduction in overhead recovery which was charged to the services concerned in 2011/12, thus adding additional overhead pressure to the organisation as a whole.

In the medium term, the Company faces a considerable loss of income from the council's capital programme relating to Kitchens and Bathroom works as these programmes reduce in scale from 2015/16 in particular. Income of around £1.7m a year is likely to be lost and this loss will inevitably reduce required staffing levels and overhead recovery within maintenance. It is likely therefore that some restructuring in this area will be necessary. Workforce planning will be necessary to move staff to other areas over the next three years while maintaining the service in the meantime.

#### **Investment and improvement for the future**

While there are a number of significant threats to the Company's income noted above, the overall picture for council housing is better than it has been for a long time. The reform of the Housing subsidy system has left the council's HRA with sufficient resources to maintain homes adequately into the future, and also to start to replace around half of the properties lost through RTBs. It is hoped that by managing to get ahead of the changes to welfare and to build up resources in collection and arrears management the losses experienced can be minimised, perhaps leading to greater resources in the future.

As a result of the funding available to the HRA and its ability to replace some lost RTB properties, as well as dealing with the major issues outlined above, it is anticipated that the reserves of £3.6m can be reduced and applied to areas where investment will produce further savings for the future or will result in an increased revenue for the Company.

The current plans for the reserves are:

- Investment in HQ movements – London Road and Corporation Street ~£550k
- Investment in refurbishment of property (subject to purchase) ~ £600k
- Business Transformation Reserve ~£400k
- Cyclical Maintenance carry forward ~ £100k
- Loan to Social Enterprise ~ £400k

This takes the immediate reinvestment programme to around £2.05m, reducing the uncommitted reserves to just over £1.5m. Derby Homes has always aimed to keep around 5% of turnover as a 'normal' level of contingency within its reserves and £1.5m is 5% of the underlying turnover excluding the one off Solar Panel investment this year. The immediate prospects are therefore good and cover fully the investments above. The intention is that the HQ investments will help to deliver

## **Operating and Financial Review (continued)**

### **Year Ended 31 March 2012**

£100k a year of ongoing savings in office costs, that the property refurbishment would deliver a return of income each year, that the Loan to the Social Enterprise would be recovered over time should that enterprise be as successful as hoped, and that the business transformation reserve will result in further efficiencies or service improvements. Cyclical maintenance is a carried forward fund that will be added to funds made available for investment in estates.

### **Financial Review and Capital Structure**

The main accounting policies are set out on pages 27 to 31 of the financial statement.

As a wholly owned ALMO subsidiary of Derby City Council, the capital structure has been approved by the council. The balance sheet set out on page 24 shows a deficiency of total funds which results from the defined pension fund liability but as noted in the Directors' Report and Accounting Policies, this major liability is underwritten by the council. Excluding the pension liability, total reserves as at 31 March 2012 amount to £3.6m.

### **Treasury Policy, Cash Flows and Liquidity**

The company benefits from participation in the council's treasury policy arrangements and management and other fees are paid in advance during the year, allowing the company to maintain a satisfactory cash flow and liquidity position. As part of the council's group banking arrangements, temporary cash flow issues are managed by the council. The Company is also able to benefit from the council's access to the Public Works Loans Board for long term fixed rate borrowing should it be necessary. In practice the cash flow is largely positive at present.

During 2010/11 the company drew down £200k from a loan facility granted by the council on 18 May 2009. This loan was to part finance the 10 New Build Properties which are now included in fixed assets as Social Housing Held for Letting. The loan is repayable over 25 years and capital repayments of £8k are made annually. Interest is fixed at 6% per annum.

### **Statement of Compliance**

The Board has endeavoured to follow the principles as detailed in the 2008 statement of Recommended Practice in the production of its Operating and Financial Review.

The Board is of the opinion that the Operating and Financial Review meets the requirement of the Accounting Standard Board's 2006 Reporting Statement.

## **INDEPENDENT AUDITOR'S REPORT TO DERBY HOMES LIMITED AND TO THE MEMBERS OF DERBY HOMES LIMITED**

We have audited the financial statements of Derby Homes Limited ("the RP") for the year ended 31 March 2012 which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to Derby Homes Limited in accordance with section 137(1) of the Housing and Regeneration Act 2008 and to the RP'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 RP and the RP'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 RP and the RP's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the RP's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the RP's affairs as at 31 March 2012 and of the income and expenditure 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 and in accordance with the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.


### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the report of the directors, for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 or the Housing and Regeneration Act 2008 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the RP has not maintained a satisfactory system of control over its transactions; 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.



**Hamid Ghafoor (Senior statutory auditor)**  
for and on behalf of PKF (UK) LLP, Statutory auditor  
Liverpool, UK

Date: 01.08.2012



# Income and Expenditure Account Year Ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	35,986	28,133
Operating costs	2	(35,187)	(28,504)
Past service cost gain	2	-	2,724
<b>Operating Surplus</b>	4	<b>799</b>	<b>2,353</b>
Interest payable and similar charges		(14)	(3)
Pension finance costs	5	(164)	(550)
<b>Surplus on ordinary activities before taxation</b>		<b>621</b>	<b>1,800</b>
Tax on surplus/(deficit) on ordinary activities	6	-	(1)
<b>Surplus on ordinary activities after taxation</b>	12	<b>621</b>	<b>1,799</b>
<b>Retained surplus for the year</b>		<b>621</b>	<b>1,799</b>

All amounts relate to continuing activities.

There are no differences between the surplus for the year and its historical cost equivalent.

**Statement of Total Recognised Surpluses and Deficits for the year ended 31 March 2012.**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Surplus for the financial year	<b>621</b>	1,799
Surplus/(Deficit) for the financial year	<b>(1,712)</b>	113
Actuarial (losses)/gains relating to pensions	<b>(1,091)</b>	1,912
Prior year adjustment	-	678
Total recognised (losses) and gains since last annual report	<b>(1,091)</b>	2,590

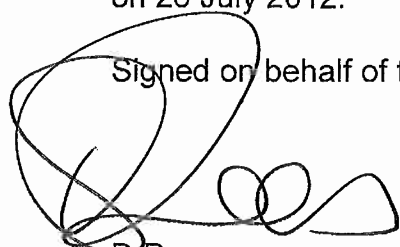
All recognised gains and losses are included in this statement and all relate to continuing activities.


## Balance Sheet At 31 March 2012

	Notes	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Housing Properties			
Cost less depreciation		1,219	1,225
Capital grant		(1,049)	(1,049)
<b>Net book value of housing properties</b>		<b>170</b>	<b>176</b>
Other fixed assets		523	283
	8	<b>693</b>	<b>459</b>
<b>Current assets</b>			
Debtors	9	7,737	7,209
Stock		113	41
Cash in hand		2	3
		<b>7,852</b>	<b>7,253</b>
<b>Creditors: amounts falling due within one year</b>	10	<b>(4,712)</b>	<b>(4,939)</b>
<b>Net current assets</b>		<b>3,140</b>	<b>2,314</b>
Creditors: amounts falling due after one year	11	(192)	(200)
<b>Net assets before pension liability</b>		<b>3,641</b>	<b>2,573</b>
Defined benefit pension liability	7	(11,480)	(9,321)
<b>Net liabilities after pension liability</b>		<b>(7,839)</b>	<b>(6,748)</b>
<b>Reserves</b>			
Revenue reserve		(7,839)	(6,748)
<b>Total funds</b>	12	<b>(7,839)</b>	<b>(6,748)</b>

These financial statements were authorised and approved by the Board of Directors on 26 July 2012.

Signed on behalf of the Board of Directors

  
D Rees  
Vice Chair

  
D Enticott  
Secretary

## Cash Flow Statement

### Year Ended 31 March 2012

	2012 £'000	2011 £'000
<b>Reconciliation of operating surplus to net cash Inflow/(outflow) from operating activities</b>		
Operating surplus	799	2,353
Depreciation	324	439
Increase in stocks	(72)	(41)
Increase in debtors	(528)	(2,591)
(Decrease)/increase in creditors	(228)	2,607
Movement in FRS17 adjustment	283	(2,467)
<b>Net cash inflow from operating activities</b>	<b>578</b>	<b>300</b>
<b>Cash flow statement</b>		
Net cash inflow from operating activities	578	300
Return on investments and servicing of finance	(14)	(3)
<b>Capital Expenditure:</b>		
Fixed Asset additions	(557)	(775)
Less Capital Grant Received	-	278
Net Capital expenditure	(557)	(497)
Taxation	-	(1)
Cash inflow/(outflow) before financing	7	(201)
Financing – loan principal repayments	(8)	200
(Decrease) in cash	(1)	(1)

**Reconciliation of net cash flow to movement in net debt for the year ended 31 March 2012**

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
Decrease in cash in the year	(1)	(1)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	8	(200)
	<hr/>	<hr/>
<b>Movement in net debt in the year</b>	<b>7</b>	<b>(201)</b>
Net debt at 1 April 2011	(197)	4
	<hr/>	<hr/>
<b>Net debt at 31 March 2012</b>	<b>(190)</b>	<b>(197)</b>

**Analysis of changes in net debt**

	<b>1 April</b> <b>2011</b> <b>£'000</b>	<b>Cash</b> <b>flow</b>	<b>31 March</b> <b>2012</b> <b>£'000</b>
Cash at bank and in hand	3	(1)	2
	<hr/>	<hr/>	<hr/>
	3	(1)	(2)
Debts falling due after more than one year	(200)	8	(192)
	<hr/>	<hr/>	<hr/>
<b>Net debt</b>	<b>(197)</b>	<b>7</b>	<b>(190)</b>



## **Notes to the Financial Statements**

### **Year Ended 31 March 2012**

#### **1. Principal accounting policies**

The company is incorporated under the Companies Act and is registered with the Homes & Communities Agency as a Registered Provider. The following Accounting Policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements.

##### **Basis of accounting**

The financial statements of the company are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP) 2010 – Accounting by Registered Social Landlords, and comply with the Accounting Requirements for Registered Social landlords general determination 2006.

##### **Going Concern**

The financial statements have been prepared on a going concern basis. The company's balance sheet shows a net liability due to the inclusion of pensions liabilities required under FRS 17, Retirement Benefits. However, this is underwritten by Derby City Council.

##### **Turnover**

Turnover represents collectable rental income (i.e. rent debit less rent loss due to voids) and service charges, fees payable from Derby City Council and other income from operating activities.

##### **Operating Costs**

Operating costs are attributable to the day to day running costs of the company. These include housing management, property repair, maintenance and major improvement works.

##### **Overheads and Administrative Costs**

These are allocated across operating cost headings on the basis of staff time or other appropriate methods.

##### **Tangible fixed assets and depreciation**

Housing properties are principally properties available for rent and are stated at cost less social housing grants and depreciation. Any additions include the cost of acquiring land and buildings, development costs and expenditure incurred in respect of enhancements to existing properties. Other fixed assets are included in the balance sheet at historical cost, less depreciation where appropriate.

## Notes to the Financial Statements

### Year Ended 31 March 2012 (Continued)

Depreciation is provided on all assets based on the historical cost less attributable grants above any de minimis value using the straight line method over the remaining life of the asset. The following component rates have been applied:

Asset Type	Depreciation	De minimis values
Housing Properties:		
Kitchens	Over 20 years	Nil
Bathrooms	Over 25 years	Nil
Boilers	Over 13 years	Nil
Heating system	Over 26 years	Nil
Roof	Over 60 years	Nil
Wiring	Over 40 years	Nil
Doors	Over 30 years	Nil
Windows	Over 30 years	Nil
Non-componentised	Over 80 years	Nil
Land	Not depreciated	
Computer equipment	Over 3 years	£10,000
Motor vehicles	Over 7 years	Nil
Plant & machinery	Over 5 years	£10,000
Office equipment	Over 10 years	£10,000

Where items of computer equipment, plant and machinery and office equipment are purchased at less than the above de minimis values they may be capitalised if they form part of a larger capital scheme.

Going forward the useful life of components will be reassessed annually.

#### Impairment

The company will undertake impairment reviews where there is an indication that impairment may have occurred.

#### Taxation including deferred tax

The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided on all timing differences in accordance with FRS 19 – Deferred Taxation. Deferred tax assets are accounted for to the extent they are regarded as recoverable. The company does not discount deferred tax.

#### Operating leases

Rentals under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

## **Notes to the Financial Statements**

### **Year Ended 31 March 2012 (Continued)**

#### **Pension costs**

##### **Local government pension scheme**

The company participates in the Derbyshire County Council defined benefit (open) superannuation fund, a funded benefit scheme. The pension charge is based on a full actuarial valuation of the fund as at 31 March 2010.

The amounts charged to operating surplus in respect of this scheme are the current service costs and any gains and losses on settlements and curtailments. They are included as part of staff costs.

The interest cost and the expected return on assets are included as other finance costs.

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The company has fully adopted Financial Reporting Standard 17 "Retirement Benefits" during the year.

#### **Debtors and creditors**

The income and expenditure and balance sheet accounts of the company are maintained on an accruals basis. This means that sums due to or from the company during the year are included, whether or not the cash has been received or paid in the year.

#### **Value Added Tax (VAT)**

Rental income received from housing properties is exempt from VAT and accordingly any expenditure incurred in relation to those properties is inclusive of VAT. All other income and expenditure figures exclude VAT.

#### **Accounting for grants**

Grants received relating to revenue expenditure are credited to the income and expenditure account as they become receivable. In certain circumstances, grant funding may be repayable if the conditions of the funding are not met.

Where grant is received as a contribution towards the capital cost of fixed assets it is deducted from the fixed asset cost.

## Notes to the Financial Statements Year Ended 31 March 2012 (Continued)

### True and Fair Override

Under the requirements of the SORP, capital grant income received as a contribution towards capital cost of fixed assets is deducted from the fixed asset cost on the balance sheet. This treatment is contrary to the Companies Act 2006 which states fixed assets should be stated at purchase price, or valuation, less any provision for depreciation or diminution in value and that grants should be shown as deferred income. The purpose of the capital grants is to subsidise the cost of the social housing and the income from properties is a function of net cost. Accordingly the Board considers it necessary to adopt the treatment set out in SSAP4 in order to give a true and fair view of the financial position of the company.

### 2.1 Turnover, operating costs and operating surplus/ (deficit)

	Year ended 31 March 2012					
	Notes	Turnover	Operating Costs	Additional FRS 17 pension costs	Total Operating Costs	Operating Surplus or (deficit)
		£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	2.2	56	44	-	44	12
Management of Social Housing for the council		12,753	11,864	147	12,011	742
Maintenance and Repair of Social Housing for the Council		12,358	12,201	104	12,305	53
Capital Works undertaken for the Council		9,005	9,005	19	9,024	(19)
Public Buildings Work undertaken for the Council		1,371	1,371	12	1,383	(12)
Other activities		443	419	1	420	23
<b>Total</b>		<b>35,986</b>	<b>34,904</b>	<b>283</b>	<b>35,187</b>	<b>799</b>

The additional FRS 17 pension costs are due to the actuarial assessment of pension current service costs included above being at a higher level than the actual pension contributions which were paid and included in operating costs.

As a result of the above the Capital Works and the Public Buildings work undertaken for the council show deficits for the year but would otherwise have showed break even, the arrangements with the Council being on an actual cost recovery basis.

## Notes to the Financial Statements

### Year Ended 31 March 2012 (Continued)

	Year ended 31 March 2011					
	Notes	Turnover	Operating Costs	Additional FRS 17 pension costs	Total Operating Costs	Operating Surplus or (deficit)
		£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	2.2	12	23	0	23	(11)
Management of Social Housing for the council		14,254	14,176	172	14,348	(94)
Maintenance and Repair of Social Housing for the Council		9,045	9,256	51	9,307	(262)
Capital Works undertaken for the Council		2,889	2,889	21	2,910	(21)
Public Buildings Work undertaken for the Council		1,549	1,549	13	1,562	(13)
Other activities		384	354	-	354	30
Total prior to exceptional item		28,133	28,247	257	28,504	(371)
Exceptional item		-	-	(2,724)	(2,724)	2,724
<b>Total</b>		<b>28,133</b>	<b>28,247</b>	<b>(2,467)</b>	<b>25,780</b>	<b>2,353</b>

The exceptional item of £2.724m relates to the credit to the Income and Expenditure account relating to past service gains resulting from the change to the pensions inflation assumptions from Retail Price Index to Consumer Price Index.

#### 2.2 Social Housing Lettings

	2012 £'000	2011 £000
Rents (net of void loss)	49	11
Service charges	7	1
<b>Net rental income</b>	<b>56</b>	<b>12</b>
<b>Expenditure</b>		
Maintenance	-	3
Property insurance	3	1
Other supplies & services	35	15
Depreciation	6	4
<b>Total Expenditure</b>	<b>44</b>	<b>23</b>
<b>Operating surplus on Social Housing Lettings</b>	<b>12</b>	<b>(11)</b>

## Notes to the Financial Statements Year Ended 31 March 2012 (Continued)

### 3 Information regarding directors and employees

Directors and executive officers' emoluments are as shown below. No pension contributions were made for directors.

	2012 £'000	2011 £'000
<b>Directors' emoluments</b>		
Aggregate emoluments	8	-
Pension contributions	-	-
	<u>8</u>	<u>-</u>

#### Executive Officers' emoluments

There are four permanent executive officers including a Chief Executive.  
These executive officers are listed on page 2

Aggregate emoluments – executive officers	333	327
Pension contributions – executive officers	38	50
	<u>371</u>	<u>377</u>
Emoluments paid to the highest paid executive officer	113	113
Pension contributions – highest paid executive officer	12	12
	<u>125</u>	<u>125</u>

The Chief Executive is the highest paid Executive Officer and is a member of the Derbyshire County Council defined benefit superannuation fund. He is an ordinary member of the fund and no enhanced or special terms apply.

Average number of persons employed (full time equivalents)	2012	2011
Housing management	182	194
Central services and regeneration	63	84
Maintenance and repairs	<u>160</u>	<u>125</u>
	<u>405</u>	<u>403</u>

## Notes to the Financial Statements

### Year Ended 31 March 2012 (Continued)

<b>Staff costs during the year (including directors and executive officers)</b>		<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>
	Wages and salaries	<b>10,043</b>	10,027
	Social security costs	<b>752</b>	724
	Pension	<b>1,521</b>	1,639
		<b>12,316</b>	12,390
	Past service cost gain	-	(2,724)
		<b>12,316</b>	9,666
<hr/>			
<b>4</b>	<b>Operating surplus</b>	<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>
	The operating surplus is after charging:		
	Depreciation	<b>324</b>	439
	Auditor's remuneration:		
	- audit services	<b>20</b>	24
	- non-audit services, taxation	<b>8</b>	2
	Operating lease rentals - equipment	<b>10</b>	10
		<b>164</b>	550
<hr/>			
<b>5</b>	<b>Other finance costs</b>	<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>
	Interest cost on pension obligation	<b>2,473</b>	2,450
	Expected return on assets	<b>(2,309)</b>	(1,900)
		<b>164</b>	550
<hr/>			
<b>6</b>	<b>Tax on surplus on ordinary activities</b>	<b>2012</b>	<b>2011</b>
		<b>£'000</b>	<b>£'000</b>
	United Kingdom corporation tax @ 20%	<b>5</b>	5
	Adjustments in respect of prior periods	<b>(5)</b>	(4)
		<b>-</b>	1
<hr/>			



**Notes to the Financial Statements**  
**Year Ended 31 March 2012 (Continued)**

<b>Factors affecting tax charge for year</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Surplus on ordinary activities before tax	<u>621</u>	<u>1,800</u>
Surplus on ordinary activities multiplied by corporation tax @ 20%	124	378
<b>Effects of:</b>		
Non taxable income and deductions	(123)	(373)
Adjustment to tax in respect of prior periods	<u>(1)</u>	<u>(4)</u>
	-	1

**7 Pensions**

The company participates in the Derbyshire County Council defined benefit (open) superannuation fund, a funded final salary benefit scheme. In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17), the Company is required to disclose certain information regarding assets, liabilities, income and expenditure related to pension schemes for its employees.

The most recent valuation was carried out as at 31 March 2010 and has been updated by independent actuaries to the Derbyshire County Council Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the fund as at 31 March 2012.

Pension obligations were transferred to the company on 25 February 2002 when the company commenced trading. Any net pension deficit as at this date relating to employees who transferred to the company remained a liability of the parent organisation Derby City Council.

The actuarial gains and losses for 2011 include the impact of the change in the calculation method for pension increases and revaluation from RPI to CPI that reduced the liabilities of the scheme.

The amounts recognised in the balance sheet are as follows:

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded obligations	(47,887)	(44,515)
Fair value of scheme assets	<u>36,407</u>	<u>35,194</u>
Deficit	<u>(11,480)</u>	<u>(9,321)</u>

## Notes to the Financial Statements

### Year Ended 31 March 2012 (Continued)

The amounts recognised in the income and expenditure account are as follows:

	2012 £'000	2011 £'000
Interest on obligation	2,473	2,450
Expected return on scheme assets	<u>(2,309)</u>	<u>(1,900)</u>
Finance costs	164	550
Current service cost	1,504	1,573
Past service (gain)/cost	-	(2,724)
Effect of curtailments	-	73
Total	<u>1,668</u>	<u>(528)</u>

The amounts recognised in the statement of recognised gains and losses are as follows:

	2012 £'000	2011 £'000
Actuarial (losses) and gains relating to pensions	(1,712)	2,106
Effect of Business combinations	-	(1,993)
Net (losses)/gains/	<u>(1,712)</u>	<u>113</u>

Changes in the present value of the defined benefit obligation are as follows:

	2012 £'000	2011 £'000
Opening defined benefit obligation	44,515	31,169
Interest cost	2,473	2,450
Actuarial (gains)/losses	-	(1,526)
Benefits paid	(1,176)	(959)
Current service cost	1,504	1,573
Curtailments	-	73
Past service cost	-	(2,724)
Business combinations – DLO transfer	-	13,571
Members contributions	<u>571</u>	<u>888</u>
Closing defined benefit obligation	<u>47,887</u>	<u>44,515</u>

## Notes to the Financial Statements

### Year Ended 31 March 2012 (Continued)

Changes in the fair value of scheme assets are as follows:	<b>2012</b>	2011
	<b>£'000</b>	£'000
Opening fair value of scheme assets	<b>35,194</b>	19,818
Expected return	<b>2,309</b>	1,900
Actuarial (losses)/gains	<b>(1,712)</b>	580
Business combinations – DLO transfer	-	11,578
Contributions by employer	<b>1,221</b>	1,389
Benefits paid	<b>(1,176)</b>	(959)
Members contributions	<b>571</b>	888
	<hr/>	<hr/>
Closing fair value of scheme assets	<b>36,407</b>	35,194
	<hr/>	<hr/>

The actual gain on scheme assets in the period was £597,000 (2010/11 - £2,946,000 gain).

During the year, the Company paid employer contributions of £1,221,000. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The company expects to contribute £1,225,000 to its defined benefit pension scheme in 2012/13.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	<b>2012</b>	2011
	<b>%</b>	%
Equities	<b>64.3</b>	68.5
Property	<b>5.4</b>	5.1
Government bonds	<b>16.7</b>	6.8
Other bonds	<b>5.3</b>	5.6
Cash/liquidity	<b>7.3</b>	6.3
Other	<b>1.0</b>	7.7
	<hr/>	<hr/>
Total assets	<b>100</b>	100
	<hr/>	<hr/>

The proportions of total assets held in each asset type, shown above, reflect the proportion held by the fund as a whole at 31 March 2012 and 31 March 2011.

Assets are valued at realisable value, principally bid price for investments.

## Notes to the Financial Statements

### Year Ended 31 March 2012 (Continued)

The principal actuarial assumptions at the balance sheet date are as follows:

	2012	2011
	%	%
RPI Inflation rate	-	3.5
CPI Inflation rate	2.6	3.0
Discount rate	5.1	5.5
Rate of increase in salaries	4.35	4.75
Rate of increase in pensions	2.6	3.0
Expected rate of return on assets	5.51	6.50

Life expectancy at 31 March 2012:

Of a male/ (female) future pensioner aged 65 in 20 years time	23.2 (26.0) years
Of a male/ (female) current pensioner aged 65	21.8 (24.4) years

The amounts of deficits and experience adjustments for defined benefit pension plans for the current and previous four periods are as follows:

Defined benefit pension plans

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(47,887)	(44,515)	(31,169)	(19,752)	(23,988)
Scheme assets	36,407	35,194	19,818	14,095	16,170
	(11,480)	(9,321)	(11,351)	(5,657)	(7,818)
Percentage funded	76%	79%	64%	72%	67%
Experience adjustments on scheme liabilities	-	1,658	-	-	(631)
Experience adjustments on scheme assets	(1,712)	580	4,094	(4,024)	(1,413)

None of the comparative figures have been restated to reflect the change in equities value from mid-market price to bid price. The restatement has not been made on the basis that any adjustments are not material to the financial statements.

## Notes to the Financial Statements

### Year Ended 31 March 2012 (Continued)

#### 8 Tangible fixed assets

	Social Housing Properties Held for letting £'000	Computer Equipment £'000	Motor Vehicles £'000	Other Assets £'000	Total £'000
<b>Cost</b>					
At 1 April 2011	1,229	1,948	-	13	3,190
Disposals	-	(112)	-	-	(112)
Additions	-	387	170	-	557
<b>At 31 March 2012</b>	<b>1,229</b>	<b>2,223</b>	<b>170</b>	<b>13</b>	<b>3,635</b>
<b>Depreciation</b>					
At 1 April 2011	4	1,664	-	13	1,681
Disposals	-	(112)	-	-	(112)
Charge for the year	6	294	24	-	324
<b>At 31 March 2012</b>	<b>10</b>	<b>1,846</b>	<b>24</b>	<b>13</b>	<b>1,893</b>
<b>Capital Grant</b>					
At 1 April 2011	(1,049)	-	-	-	(1,049)
Receipts in year	-	-	-	-	-
<b>At 31 March 2012</b>	<b>(1,049)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,049)</b>
<b>Net book value</b>					
At 31 March 2011	176	283	-	-	459
<b>At 31 March 2012</b>	<b>170</b>	<b>377</b>	<b>146</b>	<b>-</b>	<b>693</b>

There is a legal charge on certain land and buildings held by Derby City Council as security that the company will discharge all its liabilities in relation to the property.

The Social Housing Properties Held for Letting are Freehold.

## Notes to the Financial Statements

### Year Ended 31 March 2012 (Continued)

	2012 £'000	2011 £'000
<b>Expenditure on works to existing properties</b>		
Amount capitalised	-	418
Amount charged to income and expenditure account	-	3
	<u>-</u>	<u>421</u>

<b>9 Debtors:</b> amounts falling due within one year	<b>2012 £'000</b>	<b>2011 £'000</b>
Amounts due from parent company	7,204	6,854
Trade debtors	67	160
Prepayments and accrued income	466	195
	<u>7,737</u>	<u>7,209</u>

Included in amounts due from the parent company is £514,000, (2011 £3,273,000), being a bank account held on the company's behalf by Derby City Council.

<b>10 Creditors:</b> amounts falling due within one year	<b>2012 £'000</b>	<b>2011 £'000</b>
Amounts owing to parent company	1,130	1,863
Trade creditors	738	1,301
Corporation tax	5	5
Other taxation and social security	1,362	538
Other creditors	150	-
Accruals and deferred income	1,327	1,232
	<u>4,712</u>	<u>4,939</u>

<b>11 Creditors:</b> amounts falling due after one year	<b>2012 £'000</b>	<b>2011 £'000</b>
Amounts owing to parent company – New Build Loan	<u>192</u>	<u>200</u>
Repayments are due as follows:		
Within 5 years	40	-
In more than 5 years	<u>152</u>	<u>200</u>

The New Build loan of £200,000 is currently on a fixed rate of interest of 6%. The loan is secured by way of a legal charge held by Derby City Council over certain land and buildings.

## Notes to the Financial Statements Year Ended 31 March 2012 (Continued)

<b>12 Reserves</b>	<b>Revenue reserve</b>
	<b>£'000</b>
Balance at 1 April 2011	(6,748)
Surplus for the year	621
Actuarial losses in year	(1,712)
<b>Balance at 31 March 2012</b>	<b>(7,839)</b>

### **13 Capital Commitments**

At 31 March 2012 there was a capital commitment approved but not contracted for in respect of the acquisition of 32 motor vehicles for Maintenance in an amount of £559,000. There were no other capital commitments.

### **14 Operating Lease Commitments**

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as follows:

<b>Equipment</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Expiry date :		
Between 1 and 2 years	7	1
Between 2 and 5 years	2	9
	<hr/>	<hr/>

### **15 Parent Undertaking**

The Company is a local authority controlled company within the meaning of Part V of the Local Government and Housing Act 1989, being a company under the control of Derby City Council. Copies of the financial statements for Derby Homes Limited can be obtained from the Secretary, Derby Homes Limited, 2nd Floor, South Point, Cardinal Square, Derby, DE1 3QT.

Consolidated accounts are prepared by Derby City Council.

The Directors consider that Derby City Council is the ultimate controlling party.



## **Notes to the Financial Statements**

### **Year Ended 31 March 2012 (Continued)**

#### **16 Related Party Undertaking**

During the year Derby Homes received income from Derby City Council, its parent company, and paid for services provided by Derby City Council. The company has taken advantage of the exemptions available under FRS 8 for the disclosures relating to transactions with other group companies.

Four Board members are also tenants of the council and have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefit as other tenants. One board member holds a leasehold contract with the council and enjoys the same benefit as other leaseholders with the same agreement and fulfils the same obligations as other leaseholders. There are no significant rental arrears to report in relation to these tenants or leaseholder as at year end.