

DERBY HOMES BOARD
26 JULY 2018

ITEM B6

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017/18

Report of the Finance Director & Company Secretary

1. SUMMARY

- 1.1 This report accompanies the draft annual report and financial statements for Derby Homes for the year ended 31 March 2018.

2. RECOMMENDATION

- 2.1 To accept the draft annual report and financial statements as a true and fair view of the Company's financial affairs as at 31 March 2018 and as a going concern.
- 2.2 To authorise the Chair and the Company Secretary to sign the accounts at this Board meeting.
- 2.3 To recommend the Board authorises the Chair to sign a letter of representation requested by BDO (LLP) Ltd at this Board meeting.

3. REASON(S) FOR RECOMMENDATION

- 3.1 Formal, audited, accounts in the appropriate format have to be filed with both Companies House by end of December 2018 and the Regulator of Social Housing (formerly the Homes and Communities Agency) by end of September 2018.

4. MATTER FOR CONSIDERATION

- 4.1 Derby Homes' formal accounts for the 2017/18 year – attached at Appendix 1 to this report - show a surplus of £0.7m on a turnover of £38.8m. The surplus is net of large technical adjustments relating to the impact of pension funding adjustments. The underlying operational surplus was £1.7m with net pension adjustments of £1m (this includes a £0.971m one off charge relating to staff who TUPE transferred to Derby Homes in 2017/18 from Derby City Council). The underlying position of the pension scheme deficit and contribution levels is sound. This is measured every three years by independent actuaries who concluded in January 2017 that our pension fund is 97% funded and that it should be able to meet all liabilities in the future.
- 4.2 The accompanying report analyses the figures and includes references to our achievements and benchmarks spending against many other similar organisations.

- 4.3 Derby Homes now has – if the pension fund deficit of £20.9m is excluded - £15.6m of reserves, much of which could help with further investment in housing services and aligned Council objectives. The Board has agreed to help the Council to continue to deliver many services going forward in addition to direct provision of new homes and this relatively strong position means that such investments can be sustained while such funds continue to be generated.
- 4.4 The continued support of the Council remains critical to Derby Homes. Without the letter of representation from the Council (attached at Appendix 2), Derby Homes would not be able to survive in its current form.
- 4.5 In order for the auditors to sign off our accounts, they require a letter of representation from the Board (attached at Appendix 3) to be signed at this meeting by the Chair and Company Secretary.
- 4.6 The draft accounts and an external audit management letter were discussed and formally accepted by Audit Committee at their meeting on 9th July 2018. A copy of the minutes of that meeting is included on today's agenda.
- 4.7 The main change in the format of the accounts this year is the new way of reporting Value for Money. This new approach of measuring certain metrics on a consistent basis from within the accounts rather than a wider ranging descriptive approach is in its first year. Derby Homes as a Registered Provider is required to follow this new format and has done so, but some of the results may appear strange at first sight. This is mainly as a result of the unusual (for Registered Providers - RPs) balance of our operations. Most RPs generate nearly all their income from their own properties but Derby Homes receives most of ours from fees for managing the Council's property with our own properties only generating around 1.1% of turnover. While this is expected to grow slightly, it is unlikely to materially change as a proportion of income in future.

5. OTHER OPTIONS CONSIDERED

- 5.1 Derby Homes is legally required by the Companies Act 2006 and Housing and Regeneration Act 2008 to file audited accounts.

IMPLICATIONS

6. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

- 6.1 These results are marginally (under 3% turnover) better than expectations in the business plan.

7. LEGAL AND CONFIDENTIALITY IMPLICATIONS

- 7.1 Derby Homes is required to prepare accounts that comply with Companies Act 2006 and the Housing and Regeneration Act 2008. This obligation is met when the accounts are filed at Companies House.
- 7.2 The accounts also comply with the Statement of Recommended Practice (SORP) for registered social housing providers and will be filed with the Regulator for Social Housing.

The areas listed below have no implications directly arising from this report:

Consultation
Council
Personnel
Environmental
Equalities Impact Assessment
Health & Safety
Risk
Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact:

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Background Information: Appendix 1: Annual Report and Accounts 2017/18
 Appendix 2: Letter of representation from Derby City Council
 Appendix 3: Letter of representation from Derby Homes

Supporting Information: Previous accounts reports each financial year since 2003.