

Derby Homes Financial Statement 2010/11



DERBY HOMES LIMITED

(A company limited by guarantee)

Company No 4380984

Report and Financial Statements

Year ended 31 March 2011

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Report and Financial Statements

Year ended 31 March 2011

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Report and Financial Statements Year Ended 31 March 2011

Officers and Professional Advisers

Directors

J P Bayliss	(appointed 25.02.02: resigned 09.05.06: re-appointed 25.05.07)
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)
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)
M Rowland	(appointed 25.10.07: resigned 28.10.10)
D R Batey	(appointed 18.07.08: resigned 07.06.10)
A Brown	(appointed 25.09.08: resigned 04.04.11)
J Bloxsom	(appointed 29.01.09)
A Holme	(appointed 17.02.09)
S B Perry	(appointed 17.02.09)
S Davis	(appointed 19.10.09: resigned 07.06.10)
M Barker	(appointed 07.06.10: resigned 25.05.11)
P Molson	(appointed 27.01.11)
J Keith	(appointed 25.05.11)

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

Directors' Report Year Ended 31 March 2011

The directors present their annual report and the audited financial statements for the year ended 31 March 2011.

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

Date of Incorporation

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

Principal Activities

The principal activity of the company is to act as the managing agent of the stock of over 13,500 public sector properties owned by Derby City 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.

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:

- A thriving sustainable economy,
- Good health and wellbeing,
- Being safe and feeling safe, and
- A strong community

These objectives are also reflected in the Derby Plan 2011/26, which additionally aims to provide further outcomes to which Derby Homes can contribute:

- A better built and natural environment
- More good quality and affordable housing
- More people living longer in better health
- More choice and influence over services
- Less crime
- Less fear of crime and anti social behaviour
- Less injuries and harm to vulnerable children and adults
- More people volunteering
- More people influencing local decisions
- More people feeling they belong to their neighbourhood
- More people feeling that people from different backgrounds get on well together

Directors' Report (Continued)

Review of Developments

The income and expenditure account for the period is set out on page 16. Following the processing of FRS17 transactions the business returned a surplus after taxation for the period of £1,799k. This was after a credit of £1,917k which arose from the application of FRS17 on accounting for pensions, as disclosed in Note 8.

	£'000
Add back of employer pension contributions paid in year	1,389
Add past service gain	2,724
Less current service costs	(1,573)
Less curtailments	(73)
Less net interest/return on assets	(550)
	<u>1,917</u>

The underlying operating deficit was therefore £(118)k but this was after an accrual for commitments of £236k that were not previously recognised. Prior to the accrual for commitments the consolidated result before FRS17 transactions was a surplus of £118k and the Board is satisfied with the performance of the company.

On 1 June 2010, Derby Homes took over the operation of the former council Direct Labour Organisation for housing and public buildings and control of the repairs account of the Council. This has had a major impact on the turnover of the business, with an increase of £13m or almost 100% from £15m to £28m. As a result, year to year comparisons will be less relevant than in previous years, as Derby Homes is almost double the size of the arrangements that applied in 2009/10. There will be a further increase in 2011/12 as the full year impact of the changes is felt.

Future Prospects

Derby Homes' services agreement concludes on 31 March 2012. Derby City Council has determined that Housing Management & Maintenance Services from April 2012 will be given to Derby Homes 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 council has determined that the management fee for Derby Homes will be reduced over the next four years by £1m in real terms, enabling a greater proportion of funding to be directed towards maintenance and capital than has previously been the case. These changes taken together give much greater certainty to the future for Derby Homes and should enable still greater efficiency to be generated particularly in the area of maintenance. It will also allow a plan for the future of council housing in Derby to be considered that should be sustainable over the long term.

Directors' Report (Continued)

Going Concern

At its meeting on 28 July 2011, 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 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 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.

Further services provided

Derby Homes Limited manages 34 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 been commissioned by the Community Safety Partnership to run a Family Intervention Project which offers a last chance opportunity for dysfunctional families to address their behaviour and avoid eviction. It also receives other grants for time-limited specific activities.

In 2008 partnership working between Derby Homes, Derby City Council and Derwent Community Team enabled the acquisition of a converted Victorian house. Derby Homes owns the 5 flats which are managed via an 80 year net rental agreement with a 30 year break clause.

On 18 May 2009 contracts/legal agreements were signed with Derby City Council and Strata Regeneration Limited to construct 39 homes on 4 sites in Derby with 10 properties being retained as rentable Social Housing units. This was achieved with the support of £200,000 Prudential borrowing by Derby City Council on behalf of Derby Homes and £380,000 grant from the Homes and Communities Agency. Construction commenced in summer 2009 with practical completion on the Social Housing units in 2010.

On 26 April 2009 a contract was signed with a private developer to manage and maintain a block of 9 flats on Leytonstone Drive. This adds to the total of properties managed for external landlords within Derby which now totals 108.

Corporate Governance

The Board of Derby Homes Limited consists of 15 voluntary members (4 tenant, 1 leaseholder, 5 Councillor and 5 independent members). The make up of the Board

Directors' Report (Continued)

and their term of office is determined by Derby Homes Limited Memorandum and Articles of Association, which govern the Company.

The Board is responsible for the strategic direction of the Company. 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 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

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 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 the City Board, tenant and leaseholder representatives.

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.

Directors' Report (Continued)

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.

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 no operational red risks. The strategic red risks are:

- Risk 13 (high likelihood and critical impact) – options appraisal/HRA review fails to deliver on time.
- Risk 15 (high likelihood and critical impact) – failure to achieve Business Transformation savings of £2.2m in 4 years 2011-15.

Each risk has a Risk Management Action Plan. Progress on these plans was reviewed and reassessed and scores updated in March 2011.

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 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.

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 introduced an E-Induction training package during 2008. 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 out for Board members of compulsory and optional courses, both internally and externally run. E-training for Board members has now been introduced for many areas of training need.

Directors' Report (Continued)

Key Performance Indicators

The Chairs Brief reviews the organisation's performance indicators and the implementation of action plans arising from this. The table below is a sample of key performance indicators comparing performance for 2010/11 with 2009/10.

Indicator	Description	2009/10 Achieved	2010/11 Target	2010/11 Achieved
Key Performance Indicators				
BVPI 63	Energy Efficiency - average SAP (Standard Assessment Procedure) rating of dwellings.	70.95	71.00	71.00
BVPI 66a	Rent collected by the local authority as a proportion of rents owed on Housing Revenue Account (HRA) dwellings.	98.26%	98.35%	98.37%
BVPI 66b	No. of tenants with more than seven weeks of (gross) rent arrears as a % of the total number of tenants.	6.58%	5.00%	6.57%
BVPI 66c	% of tenants in arrears who have had NSP served.	14.69%	14.50%	16.50%
BVPI 66d	% of tenants evicted as a result of rent arrears.	0.16%	0.16%	0.16%
National Indicator 160	Tenant Satisfaction with Landlord (All)	82%	82%	86%
BVPI 75a/b/c	Tenant Satisfaction with views taken into account	62%	65%	62%
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	Yes
National Indicator 158	Non-Decent Local Authority Dwellings (percentage)	0.00%	1.00%	0.00%
BVPI 212	Average time taken to re-let local authority housing.	29.20 days	26 days	24.91 days
DH Local 30 Old BVPI 72	% of urgent repairs carried out within Government time limits	92.00%	95.00%	92.20%

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.

Directors' Report (Continued)

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 .

It is recognised by the directors that Derby Homes has undergone a significant change programme since 2002 and this is likely to continue for the foreseeable future. It is understood that change of this type can affect staff morale. Derby Homes is committed to addressing staff morale through the implementation of a variety of initiatives branded under the Derby Homes "Big Thank You" scheme. A staff survey recently completed pleasingly 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. 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.

Directors' Report (Continued)

The Derby Homes Equality and Diversity Policy will lead to a workforce that is diverse. The workforce will be drawn from a variety of racial, ethnic and religious backgrounds, including disabled people, younger and older people, men and women. People's sexuality will be irrelevant to their career development or treatment.

Job applications received from disabled people are always positively encouraged. Selection is based on their skills and experience matched against a person specification.

Support is given to disabled employees in accordance with the Disability Discrimination Act 1995. Every effort is made to ensure that current and prospective employees are supported and any reasonable adjustments considered and provided. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

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



A G S Osler
Chair
28 July 2011



D Enticott
Secretary
28 July 2011

Statement on Control Self Certification and Internal Reporting Year Ended 31 March 2011

This statement is given in respect of the financial accounts for Derby Homes Limited. We acknowledge our 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.

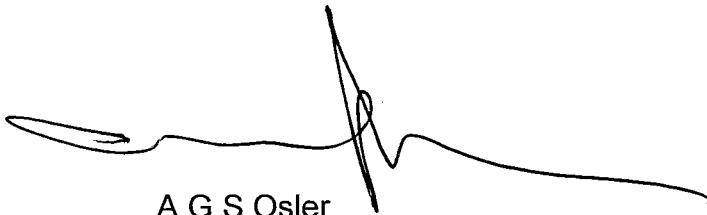
Our review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the company;
- the work of the internal auditors as described above; and

Statement on Control Self Certification and Internal Reporting (Continued)

- 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.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

A G S Osler
Chair
On behalf of the Board
28 July 2011

Statement of Directors' Responsibilities Year Ended 31 March 2011

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

Company law requires 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;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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. 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.

Independent Auditor's Report to the Members of Derby Homes Limited

We have audited the financial statements of Derby Homes Limited for the year ended 31 March 2011 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, 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 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.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, 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 company'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 company's affairs as at 31 March 2011 and of its 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.

Independent Auditor's Report to the Members of Derby Homes Limited (Continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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.

PKF(UK) LLP

Brian Ricketts (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
Liverpool, UK

Date: *5 August 2011*

Income and Expenditure Account Year Ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Turnover	2	28,133	15,333
Operating costs	3	(28,504)	(15,017)
Past service cost gain	3	2,724	-
Operating Surplus	5	2,353	316
Interest payable and similar charges		(3)	-
Pension finance costs	6	(550)	(529)
Surplus/(Deficit) on ordinary activities before taxation		1,800	(213)
Tax on surplus/(deficit) on ordinary activities	7	(1)	(5)
Surplus/(Deficit) on ordinary activities after taxation	13	1,799	(218)
Retained surplus/(deficit) for the year		1,799	(218)

All amounts relate to continuing activities.

There are no differences between the surplus/(deficit) for the year and its historical cost equivalent.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2011.

Surplus/(Deficit) for the financial year	2011 £'000	2010 £'000
Surplus/(Deficit) for the financial year	1,799	(218)
Actuarial gains and (losses) relating to pensions	113	(5437)
	1,912	(5655)
Prior year adjustment (see note 18)	678	-
Total recognised gains and (losses) since last annual report	2,590	(5,655)

Balance Sheet
At 31 March 2011

	Notes	2011 £'000	2010 £'000 Restated
Fixed assets			
Tangible assets	9	459	401
Current assets			
Debtors	10	7,209	4,618
Stock		41	-
Cash in hand		3	4
		<u>7,253</u>	<u>4,622</u>
Creditors: amounts falling due within one year	11	<u>(4,939)</u>	<u>(2,332)</u>
Net current assets		<u>2,314</u>	<u>2,290</u>
Creditors: amounts falling due after one year	12	<u>(200)</u>	<u>-</u>
Total net assets excluding pension liability		<u>2,573</u>	<u>2,691</u>
Defined benefit pension liability	8	(9,321)	(11,351)
Total net liabilities including pension liability		<u>(6,748)</u>	<u>(8,660)</u>
Reserves			
Revenue reserve	13	<u>(6,748)</u>	<u>(8,660)</u>
Total funds	13	<u>(6,748)</u>	<u>(8,660)</u>

These financial statements were authorised and approved by the Board of Directors on 28 July 2011.

Signed on behalf of the Board of Directors



A G S Osler
Chair

D Enticott
Secretary

Cash Flow Statement

Year Ended 31 March 2011

	2011 £'000	2010 £'000
Reconciliation of operating surplus to net cash Inflow/(outflow) from operating activities		
Operating surplus	2,353	316
Depreciation	439	253
Increase in stocks	(41)	-
Increase/(decrease) in debtors	(2,591)	378
Increase/(decrease) in creditors	2,607	(498)
Movement in FRS17 adjustment	(2,467)	(272)
Net cash inflow from operating activities	300	177
Cash flow statement		
Net cash inflow from operating activities	300	177
Return on investments and servicing of finance	(3)	-
Capital Expenditure:		
Fixed Asset additions	(775)	(273)
Less Capital Grant Received	278	102
Net Capital expenditure	(497)	(171)
Taxation	(1)	(5)
Cash (outflow)/inflow before financing	(201)	1
Financing – new loans	200	-
(Decrease)/increase in cash	(1)	1
Reconciliation of net cash flow to movement in net funds		
Net funds at beginning of year	4	3
(Decrease)/Increase in the period	(1)	1
Net funds at 31 March 2011	3	4

Notes to the Financial Statements

Year Ended 31 March 2011

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

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 fees payable from Derby City Council and other income from operating activities.

Tangible fixed assets and depreciation

Housing properties are principally properties available for rent and are stated at cost. 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.

Depreciation is provided on all assets above the de minimis value using the straight line method over the remaining life of the asset. The treatment of fixed assets and depreciation charges are:

Land and Buildings

Depreciation is provided to write down the value of housing properties (after deducting land costs and grants received) on a straight-line basis over their expected useful economic life of 50 years.

Plant and machinery

A de minimis value of £10,000 applies although where individual items costing less than this amount are being purchased as part of a larger capital scheme these can be capitalised. Assets will be depreciated over 5 years.

Notes to the Financial Statements Year Ended 31 March 2011 (Continued)

Office equipment

A de minimis value of £10,000 applies although where individual items costing less than this amount are being purchased as part of a larger capital scheme these can be capitalised. Assets will be depreciated over 10 years.

IT equipment and systems development

A de minimis value of £10,000 applies although where individual items costing less than this amount are being purchased as part of a larger capital scheme these can be capitalised. Assets will be depreciated over 3 years.

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.

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.

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

Notes to the Financial Statements Year Ended 31 March 2011 (Continued)

company during the year are included, whether or not the cash has been received or paid in the year.

All 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.

True and Fair Override

Capital grant income received as a contribution towards capital cost of fixed assets is deducted from the fixed asset cost in accordance with the statement of Standard Accounting Practice (SSAP4). 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. 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	Turnover	2011	2010
		£'000	£'000
	Supervision and management charge fee	11,245	11,734
	Maintenance fees and charges	8,898	-
	Capital works undertaken for the council	2,889	-
	Public Building works undertaken for the council	1,549	-
	Charges outside the supervision and management charge fees	1,211	1,323
	Grants received	1,340	1,443
	Other fee income	1,001	833
	Total income for year	28,133	15,333

Notes to the Financial Statements Year Ended 31 March 2011 (Continued)

3 Net operating expenses

	2011 £'000	2010 £'000
Employees	12,390	7,750
Other employee costs	201	301
Maintenance other direct costs	8,085	-
Property	1,144	1,379
Travel	852	281
Supplies and services	5,390	3,632
Recharges from Derby City Council	442	1,674
	<u>28,504</u>	<u>15,017</u>
Past service cost gain	(2,724)	-
	<u>25,780</u>	<u>15,017</u>

4 Information regarding directors and employees

Directors are unpaid volunteers. No pension contributions were made for directors.

Executive Officers' emoluments	2011 £'000	2010 £'000
Aggregate emoluments	327	332
Pension contributions	50	50
	<u>377</u>	<u>382</u>

Average number of persons employed

Operations	340	238
Administration	42	44
	<u>382</u>	<u>282</u>

Staff costs during the year (including executive officers)

	2011 £'000	2010 £'000
Wages and salaries	10,027	6,684
Social security costs	724	483
Pension	1,639	583
	<u>12,390</u>	<u>7,750</u>
Past service cost gain	(2,724)	-
	<u>9,666</u>	<u>7,750</u>

Notes to the Financial Statements Year Ended 31 March 2011 (Continued)

5	Operating surplus	2011	2010
		£'000	£'000
	The operating surplus is after charging:		
	Depreciation	439	253
	Auditors' remuneration:		
	- audit services	24	14
	- non-audit services, taxation	2	1
	Operating lease rentals - equipment	10	8
		<hr/>	<hr/>
6	Other finance costs	2011	2010
		£'000	£'000
	Interest cost on pension obligation	2,450	1,419
	Expected return on assets	(1,900)	(890)
		<hr/>	<hr/>
		550	529
		<hr/>	<hr/>
7	Tax on surplus on ordinary activities	2011	2010
		£'000	£'000
	United Kingdom corporation tax @ 21%	5	5
	Adjustments in respect of prior periods	(4)	-
		<hr/>	<hr/>
		1	5
		<hr/>	<hr/>
	Factors affecting tax charge for year	2011	2010
		£'000	£'000
	Surplus/(Deficit) on ordinary activities before tax	1,800	(213)
	Surplus/(Deficit) on ordinary activities multiplied rate of corporation tax @ 21%	378	(45)
	Effects of:		
	Non taxable income and deductions	(373)	50
	Adjustment to tax in respect of prior periods	(4)	-
		<hr/>	<hr/>
		1	5
		<hr/>	<hr/>

Notes to the Financial Statements Year Ended 31 March 2011 (Continued)

8 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 Derby 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 2011.

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 the period 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:

	2011 £'000	2010 £'000
Present value of funded obligations	(44,515)	(31,169)
Fair value of scheme assets	35,194	19,818
	<hr/>	<hr/>
Deficit	<u>(9,321)</u>	<u>(11,351)</u>

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

	2011 £'000	2010 £'000
Interest on obligation	2,450	1,419
Expected return on scheme assets	<u>(1,900)</u>	<u>(890)</u>
Finance costs	550	529
Current service cost	1,573	599
Past service (gain)/cost	(2,724)	-
Effect of curtailments	73	-
	<hr/>	<hr/>
Total	<u>(528)</u>	<u>1,128</u>

Notes to the Financial Statements Year Ended 31 March 2011 (Continued)

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

	2011	2010
	£'000	£'000
Actuarial gains and (losses) relating to pensions	2,106	(5,437)
Effect of Business combinations	(1,993)	-
Net gains/(losses)	113	(5,437)

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

	2011	2010
	£'000	£'000
Opening defined benefit obligation	31,169	19,752
Interest cost	2,450	1,419
Actuarial (gains)/losses	(1,526)	9,531
Benefits paid	(959)	(501)
Current service cost	1,573	599
Curtailments	73	-
Past service cost	(2,724)	-
Business combinations – DLO transfer	13,571	-
Members contributions	888	369
Closing defined benefit obligation	44,515	31,169

Changes in the fair value of scheme assets are as follows:

	2011	2010
	£'000	£'000
Opening fair value of scheme assets	19,818	14,095
Expected return	1,900	890
Actuarial gains	580	4,094
Business combinations – DLO transfer	11,578	-
Contributions by employer	1,389	871
Benefits paid	(959)	(501)
Members contributions	888	369
Closing fair value of scheme assets	35,194	19,818

The actual gain on scheme assets in the period was £2,946,000 (2009/10 - £4,984,000 gain).

Notes to the Financial Statements Year Ended 31 March 2011 (Continued)

During the year, the Company paid employer contributions of £1,389,000. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The company expects to contribute £1,187,000 to its defined benefit pension scheme in 2011/12.

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

	2011	2010
	%	%
Equities	68.5	68.0
Property	5.1	5.1
Government bonds	6.8	14.6
Other bonds	5.6	5.8
Cash/liquidity	6.3	5.8
Other	7.7	0.7
Total assets	100	100

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 2011 and 31 March 2010.

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

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

	2011	2010
	%	%
RPI Inflation rate	3.5	3.5
CPI Inflation rate	3.0	3.0
Discount rate	5.5	5.7
Rate of increase in salaries	4.75	5.0
Rate of increase in pensions	3.0	3.5
Expected rate of return on assets	6.47	6.32

Notes to the Financial Statements Year Ended 31 March 2011 (Continued)

Life expectancy at 31 March 2011:

Of a male/(female) future pensioner aged 65 in 20 years time	23.1 (25.9) years
Of a male/(female) current pensioner aged 65	21.7 (24.3) 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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Defined benefit obligation	(44,515)	(31,169)	(19,752)	(23,988)	(20,648)
Scheme assets	35,194	19,818	14,095	16,170	15,976
	<u>(9,321)</u>	<u>(11,351)</u>	<u>(5,657)</u>	<u>(7,818)</u>	<u>(4,672)</u>
Experience adjustments on scheme liabilities	1,658	-	-	(631)	-
Experience adjustments on scheme assets	<u>580</u>	<u>4,094</u>	<u>(4,024)</u>	<u>(1,413)</u>	<u>(47)</u>

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 2011 (Continued)

9 Tangible fixed assets

	Land & Buildings	Computer Equipment	IT Systems Development & Implementation	Plant & Machinery & Office Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2010	811	682	968	13	2,474
Disposals	-	(60)	-	-	(60)
Additions	418	105	252	-	775
At 31 March 2011	1,229	727	1,220	13	3,189
Depreciation					
At 1 April 2010	-	657	632	13	1,302
Disposals	-	(60)	-	-	(60)
Charge for the year	4	47	388	-	439
At 31 March 2011	4	644	1,020	13	1,681
Capital Grant					
At 1 April 2010	(771)	-	-	-	(771)
Receipts in year	(278)	-	-	-	(278)
At 31 March 2011	(1,049)	-	-	-	(1,049)
Net book value					
At 31 March 2010	40	25	336	-	401
At 31 March 2011	176	83	200	-	459

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 additions to land and buildings during the year represent completion to the construction of 10 properties which will be retained as rentable social housing units. These properties are stated at cost less grant received.

Notes to the Financial Statements Year Ended 31 March 2011 (Continued)

10 Debtors	2011 £'000	2010 £'000 Restated
Amounts due from parent company	6,854	4,053
Trade debtors	160	135
Prepayments and accrued income	195	430
	<u>7,209</u>	<u>4,618</u>

Included in amounts due from the parent company is £3,273,000, (2010 £1,557,000), being a bank account held on the company's behalf by Derby City Council.

11 Creditors: amounts falling due within one year	2011 £'000	2010 £'000
Amounts owing to parent company	1,863	989
Trade creditors	1,301	243
Corporation tax	5	5
Other taxation and social security	538	335
Accruals and deferred income	1,232	760
	<u>4,939</u>	<u>2,332</u>

12 Creditors: amounts falling due after one year	2011 £'000	2010 £'000
Amounts owing to parent company – New Build Loan	<u>200</u>	<u>-</u>

Repayments are due as follows:

In 5 years or more	<u>200</u>	<u>-</u>
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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 2011 (Continued)

13 Reserves	Revenue reserve
	£'000
Balance at 1 April 2010 (as previously stated)	(9,338)
Prior year adjustment (see note 18)	678
	<hr/>
Balance at 1 April 2010 (restated)	(8,660)
Surplus for the year	1,799
Actuarial gain in year	113
	<hr/>
Balance at 31 March 2011	(6,748)
	<hr/>

14 Capital Commitments

At 31 March 2011 there was a capital commitment approved but not contracted for in respect of a new accounting and costing system for Maintenance in an amount of £150,000. There were no other capital commitments.

15 Operating Lease Commitments

At 31 March 2011 the company had annual commitments under non-cancellable operating leases as follows:

Equipment	2011 £'000	2010 £'000
Expiry date :		
Between 1 and 2 years	1	-
Between 2 and 5 years	9	8
	<hr/>	<hr/>

16 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 2011 (Continued)

17 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.

18 Prior year adjustment

Analysis of prior year adjustment

	2011 £'000
Underpayment of management fee by Derby City Council	<u>678</u>
	<u>678</u>

The prior year adjustment relates to underpayments of the management fee by Derby City Council from the period 2002 to 2009. There is no direct effect upon the income and expenditure account for the year ended 31 March 2011 or the year ended 31 March 2010.