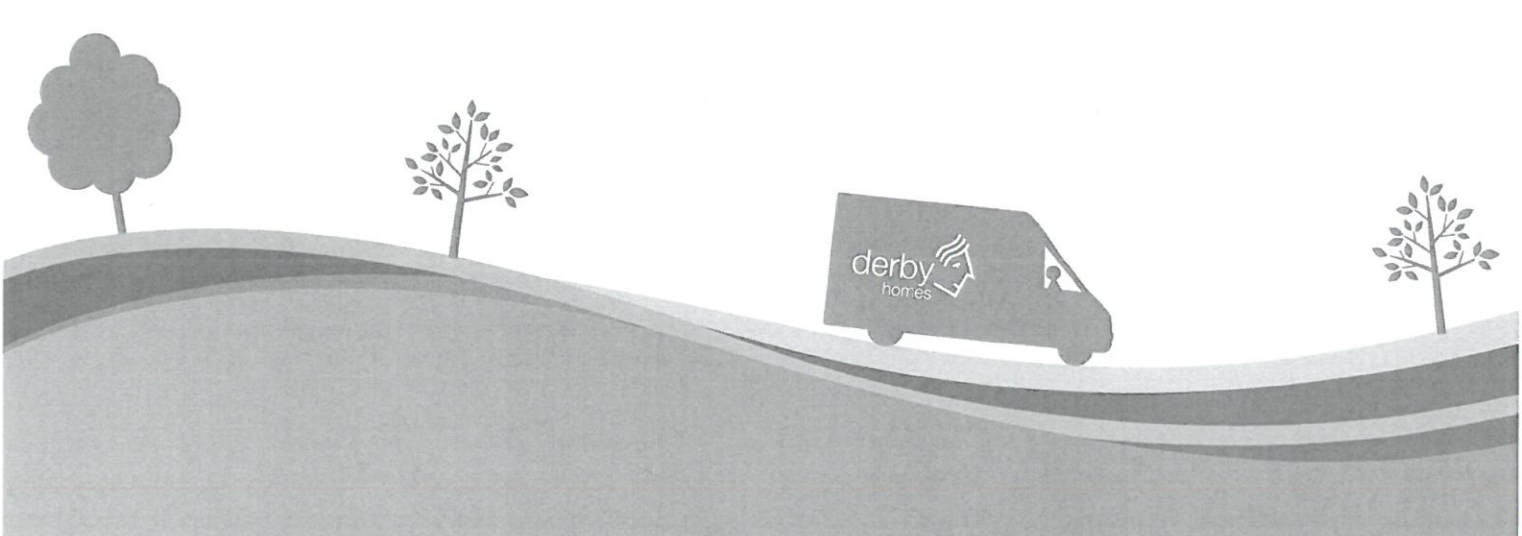
Derby Homes

Financial Statement 2014/15



DERBY HOMES LIMITED

(A Company limited by guarantee)

Company No. 4380984

Registered with
The Homes & Communities Agency
No. 4576

Report and Financial Statements

Year ended 31 March 2015

DERBY HOMES LIMITED

(A Company limited by guarantee)

Company No. 4380984

Report and Financial Statements

Year ended 31 March 2015

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Report and Financial Statements
Year Ended 31 March 2015

Board Members, Executive Officers, Advisors and Bankers

Directors

D J Rees	(appointed 28.02.02)
A G S Osler	(appointed 28.02.02; deceased 29.06.14)
I M MacDonald	(appointed 28.02.02)
R M Webb	(appointed 27.07.04; resigned 09.06.05; re-appointed 25.05.06)
M E Redfern	(appointed 26.07.05; resigned 20.05.15)
M Ainsley (Chair)	(appointed 27.09.11)
F L Walker	(appointed 29.11.12)
B S Shanker	(appointed 28.11.13; resigned 11.06.14)
S E Russell	(appointed 11.06.14: resigned 20.05.15)
R G H MacDonald	(appointed 27.11.14)
J M Shepherd	(appointed 27.11.14)
F Hussain	(appointed 20.05.15)
A Raju	(appointed 20.05.15)

Executive officers
M J Murphy
D Enticott
S Bennett

Secretary

D Enticott

Registered Office

The Council House
Corporation Street
Derby
DE1 2FT

Solicitors
Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham
B3 2ES

Auditor
BDO LLP
5 Temple Square
Temple Street
Liverpool
L2 5RH

Bankers
Lloyds Bank
43 Irongate
Derby
DE1 3FT

Report of the Directors
Year Ended 31 March 2015

The Directors also referred to as the Board, present their annual report and the audited financial statements for the year ended 31 March 2015.

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.

The Board and Executive Officers

The Board of Derby Homes Limited consists of 9 voluntary members. There are 3 tenant, 3 Councillor and 3 independent members. 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.

Report of the Directors (continued)
Year Ended 31 March 2015

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.

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

M Ainsley
Chair
30 July 2015

D Enticott
Secretary
30 July 2015

Directors' Responsibilities Statement
Year Ended 31 March 2015

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

Company law and social housing legislation 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 surplus or deficit 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2010) 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, the Housing and Regeneration Act and the Accounting Direction for Private Registered Providers of Social Housing 2012. 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 ensuring that the report of the directors is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2010).

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Operating and Financial Review
Year Ended 31 March 2015

The Board present the Operating and Financial Review for the year ended 31 March 2015.

Strategic Report

Principal Activities

The core business of Derby Homes is the management of and investment in Derby City Council's social housing stock comprising of 13,318 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 530 leaseholders of the Council and has agreements with external landlords to manage and maintain properties. These landlords include Guinness Northern Counties Housing Association, Lillian Prime Ltd, War Memorial Village (Derby) and other landlords. Derby Homes also provides other services to the Council.

Derby Homes is registered with the Homes and Community Agency and has 79 properties for rent which it owns in its own right. Additionally, Derby Homes have acquired 5 flats in a Victorian building which it partly owns and manages in partnership with Revive Healthy Living. Derby Homes has an option to purchase these 5 flats outright in 2037.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Strategic Report (continued)

Review of Results

The income and expenditure account for the period is set out on page 32. Following the processing of FRS17 transactions the business returned a surplus after taxation for the period of £2.053m. This was after a charge of £0.688m which arose from the application of FRS17 on accounting for pensions, as disclosed in Note 7 to the financial statements plus £0.173m relating to interest payable on loans from the Council.

	£'000	£'000
Underlying management account operating surplus		2,874
FRS 17 adjustments:		
Add back of employer pension contributions paid in year	1,715	
Less current service costs	(2,457)	
		(742)
Operating surplus		2,132
Add net interest on pensions		94
Less other interest payable		(173)
Retained surplus for the year		**2,053**

Financial performance – once pension factors are removed – continues to be exceptional. Further savings have been delivered against the core management and maintenance fee income and this has been or will be reinvested into growing the housing stock of the Company as set out in the Board's plans over the last couple of years.

The number of owned properties has increased substantially this year from 38 to 84, and is planned to grow further to around 100 during 2015/16.

The Council has plans to deliver 700 new homes, split 300 owned by Derby Homes and 400 owned directly by the Council. Key to this is the Joint Venture Company between the Council and the developer Keepmoat, on the former Rolls-Royce engine factory site in Osmaston, Derby plus the availability of other sites in the City available for housing.

This strategy will continue the pattern of recent years of increasing the fixed asset base of homes, in Derby Homes Limited, in both number and value terms. At the start of HRA reform in 2012, the Company had under £0.7m fixed assets and £3.6m of reserves excluding pension fund deficit. The equivalent figures are now £4.5m and £8.7m and the fixed asset base should increase substantially further during the next few years as the stock grows and the reserves are invested into further homes to rent. The debt associated with this strategy remains affordable and is currently below 50% of the open market value of the homes owned by the Company.

The Board is satisfied with the performance of the Company during 2014/15.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Strategic Report (continued)

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 Managing Director of Derby Homes 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
- Operational Board constitution
- delegation of responsibilities
- financial regulations
- procurement 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
- Partnership 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.

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:

- Operational Board
- Audit Committee
- Remuneration Committee

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

Operating and Financial Review (continued)
Year Ended 31 March 2015

Strategic Report (continued)

Risk Management

Derby Homes has a successful track record of managing risk as an integral part of its governance and management systems. The Board (following prior consultation with the Audit 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 2015. Within the Strategic Risk Register one high risk issue is identified (detailed below), with eight amber risks. On the Operational risk Register there are no high risk issues and just one amber risk.

- National and local political and regulatory changes impacting on our business.

This includes any changes directly affecting Derby Homes (such as regulatory changes from the HCA) and indirect risks on funding availability to Derby Homes, from Derby City Council, in the event of changes in policies (such as Welfare Reform, Right to Buy) affecting overall Council funding streams.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Strategic Report (continued)

Major Developments during 2014/15

Derby Homes has had a very successful year both financially and operationally. Not only have the vast majority of performance targets been met, this has been done cost effectively and the efficiencies generated in day to day operations have been reinvested in expanding the housing stock from 38 to 84. The plans for the future have been revised upwards from 200 to 300 homes over the next few years, and as long as costs are contained and land and grants are available this should be possible. Our own new homes are all fitted with sprinkler systems as standard and we have no empty ('void') homes at the end of the year.

The main addition to the stock was the completion – in partnership with the Osmaston Community Association of Residents (OSCAR), the Council and the Homes and Communities Agency (HCA) – of 40 homes developed by Strata Homes, alongside 55 for open market sale. These have all been let or sold and have been delivered on time and on budget. These homes were developed on a site formerly occupied by travellers who have been relocated by the Council on a purpose built site nearby. The homes include a small number of accessible homes alongside a number of bungalows in Davies Close – named after the former Chief Executive of Derby Homes. The scheme is a huge tribute to all the partners involved, and is helping to transform the area.

Our other development was Chesapeake Heights in Chaddesden, a former day centre transformed into 6 flats by our in house team including apprentices. These also had the support of the Council and the HCA.

We also set up an in house team to deliver – in partnership with many small local tradesmen and companies including the Council's Streetpride and Architectural services teams – new homes for both ourselves (as at Chesapeake) and also for the Council, building on the success of the transformation last year of Rose Homes in Normanton. This team have made considerable progress on other schemes for the Council, and will also be developing the former shop on Nightingale Rd for Derby Homes during 2015/16. Early feedback is that the model is working in reducing overall costs, while contributing to overheads and including enhancements to standards.

The Council's stock has also been enhanced by 53 further homes; of which 22 are new build homes, including 5 in Victory Road and 17 bungalows in Chaddesden.
The additions to the stock were however, outweighed by the continuing loss through the Right to Buy – this year of 131 homes.

The year also saw the successful introduction of the Operational Board of Derby Homes. This is formally a committee of the Board, but consists of an overwhelming majority of tenants. It is now responsible for approving policies and plans that the Board delegates to it, and can recommend issues to be referred to the Council.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Strategic Report (continued)

This was the final part of the restructuring of Derby Homes' governance as part of the agreement in 2013 with the Council to continue with the contract to 2022. It also fits alongside the changes introduced to tenant participation, with more face to face contact than in the past.

Tenant satisfaction remains at 86% positive approval rating, with a further 11% expressing no opinion and only 3% dissatisfied.

Rents remain low compared to both the Local Housing Allowance and to market levels, meaning that demand remains high and there are still very low levels of voids – under 1% at any one time - in Council housing in Derby. There is a real need to change the balance of the overall stock in Derby away from 3 bedroom homes. Of particular need are 4 bed homes and smaller ones, which the Council and Derby Homes will actively consider in the next year. There is also a need to try and deliver more accessible homes which tend to be more expensive to deliver and therefore more difficult to fund.

We have agreed with the Council a programme to extend some existing homes, creating additional bedrooms and living space for larger families, funded through efficiency savings within the capital programme as a result of efficient in-house delivery of planned maintenance.

Service delivery of repairs and maintenance including gas and electrical servicing has been strong with all KPIs met and many exceeded whilst delivering further efficiency savings.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Strategic Report (continued)

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

The long term nature of housing development means that Derby Homes needs to plan over a much longer time frame than was previously the case. As a largely management and maintenance support Company for the Council, a three year perspective was adequate to manage the financial position. Now that Derby Homes has a number of homes, there is a need to plan for the much longer term, although the stock level is likely to remain as a small proportion of the homes managed by the Company, so the longer term analysis is required mainly when analysing individual proposals for investment in homes. The strategy of delivering as many homes as possible towards the Council's targets has to be balanced against retaining a prudent financial position for the longer term. The expectation is that the balance sheet should grow over the medium term (by 2022 – the end of the current contract with the Council) to around £30m of assets, funded by around £18m of borrowing from the Council. The surpluses of recent years are expected to diminish as the building programme progresses and the subsidy required in the early years of management – largely due to interest payments – increases. In the meantime, reserves excluding pension fund should increase over time, although there will be a gradual shift from cash backed reserves to reserves held in bricks and mortar. The cash flow position continues to be adequate to good and should be able to withstand any reasonable stress testing.

The financial result for the year shows a deficit of £6m after FRS 17 pension adjustments of £8m and, while the balance sheet overall shows a negative value of the Company of £14m, this is due entirely to the pension fund deficit which now stands at £22.7m 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. Contribution rates are recommended based on the triennial review of the pension fund – the latest recommended contribution was 12.4%, but Derby Homes Board – with the backing of the Council - agreed to increase contributions to 15% in 2014/15 and again to 20% in 2015/16 to try and reduce the period over which the deficit might need to be recovered. As a result of the overall deficit, the Company relies on the Council to support it through a representation letter from the Council's section 151 officer, which effectively underwrites the pension fund deficit of the Company.

If the pension fund deficit is removed, balance sheet reserves stand at £8.7m, of which £7m are designated reserves to support new build and business transformation, and a balance of £1.7m held as general reserves. This demonstrates a period of continued strong growth within the Company over the past few years; since 2010 General Reserves have increased from £2m to £8.7m and gross Fixed Assets from £0.4m to £4.5m.

This strategy will, of course, now have to be revised in the light of the Summer Budget 2015 which will restrict HRA rental income to a substantial degree.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Strategic Report (continued)

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 – in particular Universal Credit as currently planned, 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 have had additional resources added to them and is likely to require further additions once Universal Credit is fully introduced.

The likelihood of new rules around Right to Buy for Housing Associations and reducing the welfare benefit cap will both impact negatively on our financial plans. The welfare cap has impacted only in a limited way until now on a few families, but may be a more significant issue in future as benefits are likely to be frozen and the cap reduced to £23,000 a year, reducing some tenants' ability to pay their rent. Derby Homes is partially protected from this impact in the first place as it is Council rent that may not be recovered, but there will inevitably be increased pressure on our costs of recovery as it becomes more difficult to pay the rent for tenants.

On the Right to Buy, the details are still unclear as to how the compensation from government will work when the RTB is imposed. If there is full compensation for loss of value then the impact on our plans would be relatively small. If, however, there is a requirement to partially fund replacements then this may cause some pressure at a later date. At this point it is not expected that the new rules would impact severely on the Company's overall plans, but this will need to be reviewed as the details emerge.

The Company's financial position remains robust. The current level of operating surplus excluding pension fund adjustments means that sufficient funding is available to sustain the existing operations of the Company and fund the development of up to 300 homes – itself an increase from the plans last year to fund around 200, which were restricted by the draft Financial Reporting Standard 102 which would have required immediate impairment of new developments. Fortunately this draft was amended to enable current practice of planned subsidy to effectively continue, restoring the Company's former capacity to around 300.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Strategic Report (continued)

Investment and improvement for the future

If the pension fund deficit is removed, the Company has reserves of £8.7m and it intends to invest these funds in supporting the creation of more affordable housing for Derby plus other objectives and issues that arise from time to time. The extent of these other items has reduced as many of the issues have now been addressed. The business transformation reserve has been increased this year to reflect anticipated future IT restructuring costs over the next few years as further modernisation of the Council and Derby Homes' systems takes place.

The current allocation of reserves is as follows:

- General operating reserve, set at 5% of turnover £1.7m
- Business Transformation reserve £1.5m
- New build fund £5.5m (balance)

The Board has agreed that any balance can be invested in supporting new homes and this level of reserves should be sufficient to support the Company's stock increasing to around 300, depending on the level of additional resources – for instance grants – that can be obtained, as well as any restrictions on borrowing available.

Other longer term anticipated costs include a potential need to invest in information technology systems which might be a material amount. Current plans are to meet these as they arise, depending on the scale of funding actually required.

The new build revenue reserve, created using the balance of savings made over the past few years, now has £5.5m available. This funding can be used alongside borrowing from the Council to support the revenue costs of purchasing or building new homes. Such investments would currently be protected from the Right to Buy and for flats or larger houses in particular could mean that investments become possible where they would not be financially viable for the Council directly. Even if the RTB is to apply in future to these homes, the government will need to compensate the Board for the loss of the asset. Such compensation is likely to be higher than the equivalent retention of RTB receipts for Council housing, meaning that Derby Homes properties may remain a better investment than Council housing that is at risk of the Right to Buy. This will depend on the detailed rules that emerge through the passage of the relevant legislation required to extend the RTB.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Strategic Report (continued)

Service Performance

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 2014/15 with the previous two years.

Indicator	Description	2012/13 Achieved	2013/14 Achieved	2014/15 Achieved
DH Local 24 (BVPI 63)	Energy Efficiency - average SAP (Standard Assessment Procedure) rating of dwellings.	72.0	72.6	73.0
DH Local 43 (HMP210)	Rent collected by the local authority as a proportion of rents owed on Housing Revenue Account (HRA) dwellings	99.4%	100.2%	100.1%
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.	5.8%	4.8%	5.2%
DH Local 27	Tenant Satisfaction with Landlord (All)	83.4%	95.7%*	85.7%
DH Local 29 (BVPI 75a/b/c)	Tenant Satisfaction with views taken into account	61.8%	96.0%*	67.6%
National Indicator 158	Non-Decent Local Authority Dwellings (percentage)	0%	0%	0%
DH Local 21 (BVPI 212)	Average time taken to re-let local authority housing.	20.3 days	24.1 days	22.1 days

* collected on a different basis – effectively removing no opinions

Operating and Financial Review (continued)
Year Ended 31 March 2015

Strategic Report (continued)

Performance Highlights 2014/15

Performance remains very good, with almost all key indicators all meeting or exceeding targets set by the Council.

In addition to the ones highlighted above, the level of voids at under 1% (target 1.1%), customer satisfaction with customer service centre (>97%), appointments kept (99.9%), satisfaction with repairs (99.4%) and no non decent homes nor complaints upheld by the Housing Ombudsman are all ones that we are proud of. Our sickness record for staff remains excellent at 6.1 days per year.

Awards

Tenant Resident Involvement Officer of the Year (TPAS)
Anthony Slater won the Midlands award for this category for his work in developing links with OSCAR.

East Midlands Employee of the year
Mark Jessop won this award at the Efficiency East Midlands Building Communities in the East Midlands awards for the refurbishment of Rose Homes, setting the blueprint for our current in house new build programme

UK Housing Heroes – Inspirational Tenant of the Year
Mick Vernon – an Operational Board Member and Derby City Council tenant - has been shortlisted as an Inspirational Tenant for this national award for his work in the community.

Innovative supplier
Grafton Group won the most innovative supplier award at the Housing innovation awards as a result of their material supply partnership with Derby Homes.

ROSPA Gold
Derby Homes has now received the ROSPA Gold for Health and Safety for nine consecutive years.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Employee Involvement

Derby Homes Limited 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.

The Company is committed to the creation of a happy and productive work environment that values and encourages all employee contributions. We undertake regular employee surveys and have an established employee working group who work together to consider the outcomes of the surveys and are encouraged to make recommendations to senior managers.

The Company continues to operate a policy of only using compulsory redundancy as last resort. 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.

Derby Homes is committed to helping young people enter the workplace. We have an established Apprenticeship programme that offers training opportunities across all parts of our organisation

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

Operating and Financial Review (continued)
Year Ended 31 March 2015

Equality and Diversity

The Directors of Derby Homes Limited 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 Limited 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 Limited 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.

Going Concern

At its meeting on 30 July 2015, the Board of Derby Homes Limited approved the statement that, in their opinion, Derby Homes Limited has adequate resources to continue in operational existence for the foreseeable future. The Company has a 10 year contract (7 years still to run) 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.

Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Internal Controls Assurance

The Board acknowledges responsibility for ensuring that an effective system of internal control is maintained and operated throughout the Company.

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 information and BVPI reporting.

The Company procures internal audit services from the Central Midlands Audit Partnership. Internal audit's work is based on their independent 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 Finance 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
- the external auditors in their reports.

The Audit Committee has received the Managing Director of Derby Homes' 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.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Derby Homes – Value for Money self-assessment

Derby Homes has always taken Value for Money (VfM) seriously and the requirement of the HCA to formally assess our VfM position is consistent with the approach that we have always adopted – of driving efficiency gains for a social purpose to improve not diminish services to tenants.

History of Efficiency gains and Strategic Approach

Derby Homes' mission statement is:
"To deliver a high quality housing service for Derby"

Our mission complements the 2020 Vision for Derby produced by the Derby City Partnership and the City Council's Housing Strategy and Capital Strategy.

As a managing agent for Derby City Council, Derby Homes is contributing to the Council's vision for the City:

Our people, our places, our city: Derby 2030
A safe, strong and ambitious city to live, for your:
start in life
working life
later life

Derby Homes' Strategic Objectives are:

Great Homes – including providing affordable new homes

- Great Neighbourhoods
- Great Customer Services
- Great Value

Derby Homes aims to provide excellent services by embedding a culture of VfM throughout the organisation to make sure we meet the needs of all of our customers. The overarching VfM strategy is reported within the Derby Homes website http://www.derbyhomes.org/performance/VfM. This includes details on how we successfully have and plan to continue to fully integrate VfM into our planning and performance frameworks:

- VfM considerations embedded into all stages of service planning
- Strong basis in financial management and budget processes linked to Delivery Plan development
- Robust performance management structure with VfM included in performance reports routinely
- Benchmarking with other Arm's Length Management Organisations (ALMO's) and Housing Associations on cost and performance
- Customer involvement in setting priorities and monitoring performance
- Tenant Reviews of our services
- Track record of delivery of savings

Operating and Financial Review (continued)
Year Ended 31 March 2015

Value for money self-assessment continued

Last year's accounts set out the track record that Derby Homes has of continuous improvement and driving savings through day to day operations and reinvesting those funds – moving substantial funds from management to maintenance and increasing investment in tenants' homes. Further efficiencies have been delivered during 2014/15 and are anticipated during 2015/16.

Some examples of the efficiency gains that have been made are:

- The change in office headquarters from the rented Cardinal Square to Council owned London Road Depot have delivered annual savings well in excess of £100,000.
- Delivery of anticipated support services budgets savings of £400,000
- Lower costs of the in house Repairs team through increased efficiency – bringing in additional income from new contracts and reducing use of sub contractors and agency workers.
- Reduced spending on voids through reducing numbers and associated costs
- Further investment in directly owned vans rather than leasing them during 14/15
- Letting a new supply contract for materials during 2014/15, leading to anticipated savings of around £0.3m in total including the Council's capital programme.
- Setting up our own in house new build team, making a contribution to overheads and lowering costs overall.
- Reduced energy budgets
- Reducing the cost of the intensive housing management service in line with income as planned

Anticipated savings include:

- Extension of the new supply contract to electrical and gas supplies on a phased basis
- Further savings in vans through further extension of the owned fleet
- Bringing about a change to the single point of entry arrangements and generating additional income and capacity for the Milestone House service as a result

Investment of savings

Last year's accounts set out in detail the long term reinvestment plans that had been delivered over recent years. The Board is now focussing the vast majority of any funds it delivers on the creation of new homes. This year's plans have increased our ambition from 200 to 300 homes at an approximate cost of around £10m which will require substantial investment and savings to fund the interest payments on borrowing and to maintain positive cash flow. It is still possible, however, to reinvest in some key areas and these necessary developments will continue to be considered through the budget process each year.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Value for money self-assessment continued

New Homes
The Board approved a strategy in January 2013 of investing as much as possible into subsidising the creation of new homes, supporting the Council's target of delivering 700 homes across Derby Homes and the Council. One-off savings created by delivering efficiency gains ahead of schedule or in addition to those anticipated has resulted in funds of around £5m being available to support this programme. In addition to this, on-going revenue support is also required to support new homes that do not have a sufficient external grant. The balance of funding available has been set aside for this purpose at this stage.

Derby Homes currently has 84 homes on our balance sheet, with plans to increase this substantially over the next few years to around 300 depending on funding availability. Current plans include:

- Refurbishment of Nightingale Road commercial and adjacent property into 7 flats with the support of HCA empty homes grant and the Council.
- Delivery of the HCA approved plan for a further 18 homes to be delivered over the next three years (2015/18) affordable homes programme.
- Purchase of affordable homes as a result of the joint venture vehicle for Osmaston (former Rolls-Royce factory site) between the Council and Keepmoat – expected to be around 70 homes.

In total there are 95 additional homes to be added to our stock already planned, and Derby Homes will consider other opportunities as they arise to bring the total to the target of 300.

In terms of VfM, the plans involve recognition that these assets will not be financially viable on their own and require subsidy. Many have the support of the Council and the HCA which reduces the investment required by Derby Homes and therefore stretches overall plans. This support is critical to Derby Homes' long term mission and objectives and for the delivery plans for the Council, but work counter to any formal measure of VfM. There is therefore a need to factor in the social value of a home that is subsidised.

Other pressures
In addition to new homes, Derby Homes needs to fund additional financial pressures, some of which are highlighted below:

- £0.2m investment in flats (gas control valves, TV aerials, gas fires)
- £0.2m addition to the general maintenance budget
- £0.2m lower income as a result of Right to Buy losses
- £0.04m additional funding for rental control as a result of welfare reform

These and other minor pressures were approved by the Board in January 2015.

Value for money self-assessment continued

Social Value

A simple measure of VfM is to compare the rent paid by tenants with the Local Housing Allowance (LHA) which is a measure of the local market conditions – and used to limit housing benefit payments for those in the private rented sector. By comparing these two levels, the net financial benefit either to the tenant or to the government where Housing benefit is set by reference to the rental level, can be measured. The LHA has however, been largely fixed in cash terms for the last few years and is therefore reducing in real terms while the rent for Council housing has increased. The social benefit overall though remains very large. Across the Council housing stock, rent charges total £17.4m a year (around £25 a week) less than the LHA, of which roughly half benefits tenants and the other half Housing Benefit (HB). Measured against average rents, the benefit is still greater (around £35 a week or £23m a year).

New Homes

The financial benefit of new homes can be assessed in a similar way – even without the added benefits of new home construction and the on-going health and other benefits for tenants. The National Federation of ALMOs has commissioned work on these benefits and those will be in addition to the general benefit.

A new ALMO home costing around £100k for a two bedroom home will appreciate in value over 60 years to an open market value of around £0.5m with inflation at 2.5% a year.

The annual rent – assuming the current rental regime continues – funds the running costs of the property in the longer term, but in the early years, because of interest payments on the loan, a subsidy on the home is required from the Company.

There is an on-going benefit to the tenant or to the taxpayer of around £25 a week from the rent charge being below LHA. This amounts to a gain of £78k over 60 years.

From a public sector viewpoint - even if the assumption is made that only 55% of rent (as now) is met by housing benefit, then the gain remains at £43k over 60 years. For a government and Council/ALMO investment of around £30k/30% now, a greater return will be made in the longer term and also there will be an appreciating asset.

Overall, such investments would appear to be sensible for all concerned, and this underpins the Board's commitment to new homes. The Right to Buy undermines Council direct investment – except where the risk is low or non-existent (e.g. for Extra Care), and the Board has agreed to assist with overall development targets for the Council as much as it reasonably can.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Value for money self-assessment continued

Social benefits
In addition to the financial benefit of social housing, there are considerable other positive social impacts of Derby Homes' activities including:

Planned improvement – Our Estates Pride programme delivered £1.7m of improvements across the city. Much of this is in 1970s estates like the Stockbrook Street and Brook Street areas, which have lots of communal land that was sometimes poorly designed and in a dilapidated condition. Improving the look, feel and layout of these areas does much to uplift the neighbourhood and tackle areas attracting crime and anti-social behaviour. As part of Estates Pride, we completed a £0.5M programme to install car hard standings and communal parking in targeted hotspots where lack of parking caused serious issues.

A positive impact on the local labour market through decent working conditions and opportunities for apprentices. We have managed to avoid compulsory redundancies and have a positive relationship with our Trades Unions. We have also implemented the Living Wage for all our employees. We have also transferred the operation of our cleaning and grounds maintenance contract back to the Council, which has markedly increased wages for those employees.

Fire Safety impacts – we are committed to installing sprinklers in all our new homes where this is technically feasible, and have hard wired smoke detectors in all homes. We are working in partnership with Derbyshire Fire and Rescue Service to support their campaign to get sprinklers fitted as standard in all new homes. We are also funding research by Strathclyde University to understand why smoke alarms do not wake children who are asleep.

Support for tenants – welfare reform has had a significant impact on many tenants, and our support has helped many to access discretionary housing payments and other support and advice. We have prevented many evictions and helped to house many of the most vulnerable tenants in the City. In particular we have actively supported the Ordinary Lives project of the Council to try and sustain as many tenancies in the community for all those that wish to do so.

Energy Saving – The housing stock in Derby is one of the most efficient in the country when compared on energy efficiency ratings. Our SAP rating is in the top quartile of our Housemark comparator group which includes some Housing Associations with younger average stock. Almost all possible insulation measures have been applied with the exception of a few hundred solid walled homes. We have agreed to complete this work regardless of the uncertainty of external funding becoming available. An in house team will complete this work within 18 months. All homes will then have the benefit of wall and roof insulation, all homes have double glazing and all have energy efficient heating systems.
We also have a small team that provides tailored advice to tenants to help them manage their fuel use as efficiently as possible.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Value for money self-assessment continued

On electricity use, we have been negotiating a deal that, subject to Council approval, will see thousands more of our homes receive solar PV. It's not yet possible to exactly quantify annual fuel bill savings for tenants, but this is expected to save at least £100 per year, per household. Additionally there are major environmental benefits of a corresponding reduction in carbon emissions from reduced reliance on fossil fuels.

Apprentice Scheme
In partnership with Derby College, we have continued with a substantial expansion of our apprenticeship scheme with an increase particularly in maintenance. At the end of March we had 32 apprentices employed. While we cannot guarantee posts for all, we will try and plan to create options for some, and others will get jobs relevant to the skills that they have learned. This investment at the very least gives a number of opportunities to apprentices to learn those skills and to increase their chances of getting permanent posts whether with Derby Homes or elsewhere.

Building new homes – Our partnership with the Council in producing 700 new homes is creating high quality, affordable homes for local people. Our approach of building as many homes as possible ourselves means that most of those jobs are local, either within our own workforce or with small, local building firms, helping to retain and recycle the money within the local economy.

Youth Intervention Work
Derby Homes continues to support Enthusiasm – a local youth work charity – for many years now and continues to offer over £100,000 a year of funding towards their work in supporting youth work on estates. We also run a Junior Wardens scheme that involves younger children in taking responsibility for their areas.

Partnership Working
We continue to work with a large number of partners including the Council, Fire, Police and Health services. Additionally the Derby Community Association of Partners (DACP) representing tenants across the City and also the Osmaston Community Association of Residents with whom we have delivered the largest Community led HCA grant scheme in the country, transforming an area of Osmaston from a travellers' site to 95 new homes, of which 40 are rented at affordable rents and the remaining 55 have all been sold. We are also a full member of the Central Midlands Audit Partnership which delivers Internal Audit services to many public sector bodies in Southern Derbyshire and further.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Value for money self-assessment continued

Benchmarking / Financial returns

Derby Homes has consistently used Housemark to consider its relative VfM and to report to the Board. It used the analysis that this provided to suggest areas of concern and to target savings accordingly.

Each year the Board receives a report summarising the performance of Derby Homes within the Housemark group which is shown on the website:

201314housemark report.pdf

Housemark Benchmarking Analysi

We also report to the Board year end performance against our targets:

201415 performance report.pdf

1415 performance appendix.pdf

appx2.pdf

These reports show that most areas are moving in the right direction. Over recent years, corporate overheads have been reduced significantly from around 20% to around 15% and costs of accommodation and information technology and services have been specifically targeted to be reduced. Management costs have reduced and the resources moved to support subsidising new homes.

Further approaches

In addition to the 'traditional' Housemark approach, further ways of comparing are used to assess our overall position in comparison with others.

Firstly, local regional information is being collated both by Efficiency East Midlands and by the Regional ALMO Finance Directors' group. These are proving useful in checking the Housemark conclusions are reasonable, targeting more specific areas and considering ways forward.

Secondly, CIPFA's guide on financial management for Housing Boards is also useful, suggesting specific measures that can be used to judge if financial plans are sustainable.

Thirdly, Capita have compared financial ratios for their HRA business plan (HRABP) model which is used by Derby City Council and Derby Homes.

Derby Homes Limited
Company No. 4380984
(A Company limited by guarantee)

Operating and Financial Review (continued)
Year Ended 31 March 2015

Value for money self-assessment continued

The approach to overall financial ratios below relates to the whole HRABP and its financial position, not just to Derby Homes. Extracts of key results from the CIPFA and Capita approaches are set out below:

Measure (2015/16 budget)	Derby 2015/16	Derby 2014/15	Change	Capita Med'n	Capita position (out of /20)	CIPFA Green	CIPFA Red	CIPFA Result
Income								
Rent and service charges per home £	**4,317**	**4,223**	**94**	**4,900**	**5th Lowest**			
Costs								
Management costs / turnover % (DH+DCC)	**23.1%**	23.3%	-0.2%	-	-	< 20%	>25%	Amber
Maintenance costs per home £	**1,250**	1,196	54	-	-	<£1,200	>£1,500	Amber
Operating costs per home £	**2,209**	2,208	1	2,464	6th Lowest			
Operating Surplus per home £	**1,031**	1,158	-127	1,685	2nd Lowest			
Operating Surplus / turnover %	**22%**	**25%**	**-3%**	**24%**	**14th Highest**	**>20%**	**<10%**	**Green**
Capital spend (exc New build) per home £	**756**	828	-72	1,820	Lowest			
Net income per home £	**275**	331	-56	-285	4th Highest			
Debt and Ratios								
Return on Capital Employed	**3.2%**	3.8%	-0.6%	2.0%	5th highest			
Debt per home	**16,885**	17,134	-249	17,121	10th highest			
Interest rate on debt %	**4.6%**	4.4%	0.2%	4.0%	6th Highest	<5.5%	>7%	Green
Debt/Debt+Reserves%	**54%**	58%	-4%	39%	8th Highest			
Reserves /Turnover %	**55%**	40%	15%	-	-	>20%	<5%	Green
Debt / Asset Value (EUVSH) %	**61%**	**61%**	**0%**	**-**	**-**	**<60%**	**>80%**	**Amber**
Use of the Debt Cap	**96%**	**96%**	**0%**	**90%**	**3rd Highest**			
Interest Cover	**1.17**	**1.37**	**-0.2**	**1.79**	**2nd Lowest**	**>1.2**	**<1.05**	**Amber**

Operating and Financial Review (continued)
Year Ended 31 March 2015

Value for money self-assessment continued

CIPFA recommend that Boards select a few key indicators to monitor. ALMO Boards do not have full responsibility for the HRA and these figures are included to indicate that these are still actively monitored. The key ones are highlighted in bold.

The figures reflect the strategic approach adopted by the Council and Derby Homes to the management of the HRA. Costs are about median while rent is lower than the median, with a lower but still adequate operating margin as a result. The debt is also average but at £17,000 a home is around 60% of the Existing Use Value for Social Housing (EUVSH), indicating that there is significant capacity to support further borrowing in future. The return on capital employed is 3.2% reflecting the very low asset values in the plan as a result of valuing on a EUVSH basis (about £30k a home). The very low spend on existing homes' capital reflects both the huge investment in decent homes between 2002 and 2006 and the consequent lower need for capital investment for the following decade or so, plus the continuing efficiency of procurement arrangements which have been flexibly deployed to maximise VfM.

The strategic approach also includes investing in new homes and this leads to a higher than average use of the debt cap and also lower interest cover ratios than elsewhere, although they both remain acceptable. There is also an interesting increase in interest costs at a time of falling rates. This reflects a long term strategic decision to move to longer term borrowing for the HRA which fixes an even greater proportion of HRA debt. While the debt has remained the same, it is now almost exclusively fixed and fixed long term.

Rents and operating margins are in the lower quartile, and operating costs are low. Derby operates a low cost model which does not translate into poor quality – indeed our stock continues to improve in energy efficiency terms, with our SAP rating now standing at 73 compared to around 70 for our comparator Housemark group. This equates to a saving for tenants in their energy bills of around £1m a year, and Co2 emission reductions of about 7,300 tonnes better than our comparator group. The savings over the longer term have been even higher, as SAP ratings have been increased gradually over the years.

The Council's interest cover and operating margins are tighter than average or comparators but are still adequate and the return on capital employed at 3.2% remains one of the highest as a result of lower margins but even lower asset values for homes in Derby which is more affordable than many parts of the country.

Summary

In conclusion, there are no major variations from 2014/15 figures, the overall strategy adopted by both the Council and the Board has worked and continues to work in delivering a Value for Money service for tenants and outcomes in terms of replacement homes, decent homes and a good repair service for a reasonable rent. Rents themselves remain good Value for Money and provide a direct social benefit of almost £17m a year, plus the other social values generated by the overall operation of Council housing in Derby.

Operating and Financial Review (continued)
Year Ended 31 March 2015

Derby City Council and Derby Homes will continue to fulfil our mission to 'deliver a high quality housing service for Derby' with the support of our partners and our tenants. Looking forward, Derby Homes will – with the Council's support – need to revisit our strategy and delivery ambitions in the light of the changed circumstances following the Summer budget of 2015 which will require significant changes in our funding arrangements over the next four years.

The Board is satisfied that the Company meets the overall VFM self assessment requirements.

Financial Review and Capital Structure

The main accounting policies are set out on pages 37 to 40.

As a wholly owned Arm's Length Management Organisation (ALMO) subsidiary of Derby City Council, the capital structure has been approved by the Council. The balance sheet set out on page 34 shows a deficiency of total funds which results from the defined pension fund liability but as noted in the Directors' Report and Accounting Polices, this major liability is underwritten by the Council. Excluding the pension liability, total reserves as at 31 March 2015 amount to £8.7m.

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.

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 confirms that this operating and financial review has been prepared in accordance with the principles set out in the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2010).

The Operating and Financial Review (including the Strategic Report) was approved by the board on 30 July 2015 and signed on its behalf by:

M Ainsley Chair	Date 30/07/15	D Enticott Secretary	Date 30/7/15

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 2015 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 the company's members, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 the 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England from April 2012.

Opinion on other matters 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.

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

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 board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Hamid Ghafoor *(senior statutory auditor)*
For and on behalf of BDO LLP, statutory auditor
Liverpool
United Kingdom

Date: 5/8/2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income and Expenditure Account
Year Ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	**34,316**	32,296
Operating costs	2	**(32,184)**	(32,364)
Operating Surplus / (Deficit)	4	**2,132**	(68)
Interest payable and similar charges		**(173)**	(67)
Pension finance costs	5	**94**	(251)
Surplus / (Deficit) on ordinary activities before taxation		**2,053**	(386)
Tax on surplus on ordinary activities	6	**-**	-
Surplus / (Deficit) on ordinary activities after taxation	12	**2,053**	(386)
Retained Surplus / (Deficit) for the year		**2,053**	(386)

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 Surplus and Deficits for the year ended 31 March 2015

		2015	2014
		£'000	£'000
Surplus / (deficit) for the financial year		**2,053**	(386)
Actuarial (loss) / gain relating to pensions	7	**(7,994)**	2,579
Total recognised (deficit) / surplus for the year		**(5,941)**	2,193

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

Derby Homes Limited
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Balance Sheet
At 31 March 2015

	Notes	2015 £'000	As restated 2014 £'000
Fixed assets			
Housing Properties			
Cost less depreciation		**5,870**	3,166
Capital grant		**(2,220)**	(1,507)
Net book value of housing properties		**3,650**	1,659
Other fixed assets		**879**	1,027
	8	**4,529**	2,686
Current assets			
Debtors	9	**4,509**	5,747
Stock		**102**	176
Bank and cash		**6,854**	3,822
		11,465	9,745
Creditors: amounts falling due within one year	10	**(4,101)**	(5,213)
Net current assets		**7,364**	4,532
Creditors: amounts falling due after one year	11	**(3,191)**	(1,258)
Net assets before pension liability		**8,702**	5,960
Defined benefit pension liability	7	**(22,744)**	(14,062)
Net liabilities after pension liability		**(14,042)**	(8,102)
Reserves			
Defined benefit pension liability reserve	12	**(22,744)**	(14,062)
Designated reserves	12	**7,002**	4,660
Revenue reserves	12	**1,700**	1,300
Total funds	12	**(14,042)**	(8,102)

These financial statements were authorised and approved by the Board of Directors on 30 July 2015.

Signed and dated on behalf of the Board of Directors

M. Ainsley

M Ainsley Date 30/07/15
Chair

D Enticott Date 30/7/15
Secretary

Derby Homes Limited
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Cash Flow Statement
Year Ended 31 March 2015

	2015 £'000	As restated 2014 £'000
Reconciliation of operating surplus to net cash Inflow/(outflow) from operating activities		
Operating surplus / (deficit)	**2,132**	(68)
Loss on disposal of fixed assets	**0**	1
Depreciation	**402**	370
Decrease / (Increase) in stocks	**74**	(45)
Decrease / (Increase) in debtors	**1,238**	(548)
(Decrease) / Increase in creditors	**(1,143)**	2,865
Prior year adjustment on fixed assets	**(2)**	4
Movement in FRS17 adjustment	**782**	651
Net cash inflow from operating activities	**3,483**	3,230
Cash flow statement		
Net cash inflow from operating activities	**3,483**	3,230
Return on investments and servicing of finance	**(173)**	(67)
Capital Expenditure:		
Fixed Asset additions	**(2,244)**	(1,896)
Cash inflow before financing	**1,066**	1,267
Financing – new long term loan	**2,009**	1,087
Financing – loan principal repayments	**(43)**	(13)
Increase in cash	**3,032**	2,341

Reconciliation of net cash flow to movement in net funds for the year ended 31 March 2015

	2015 £'000	As restated 2014 £'000
Increase in cash in the year	**3,032**	2,341
Cash inflow from increase in debt financing	**(1,966)**	(1,087)
Movement in net funds in the year	**1,066**	1,254
Net funds at 1 April 2014	**2,553**	1,299
Net funds at 31 March 2015	**3,619**	2,553

Analysis of changes in net funds

	As restated 1 April 2014 £'000	Cash flow	31 March 2015 £'000
Cash at bank and in hand	**3,822**	**3,032**	**6,854**
Debts due within one year	(11)	(33)	(44)
Debts falling due after more than one year	(1,258)	(1,933)	(3,191)
	(1,269)	**(1,966)**	**(3,235)**
Net funds	**2,553**	**1,066**	**3,619**

Notes to the Financial Statements
Year Ended 31 March 2015

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 housing providers update 2010, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

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. These do include assumptions around the investments returns which are based on the FRS102 requirement for this to be matched to the discount rate. This has had a material effect on the actuarial loss this year. The pension scheme continues to be 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.

Notes to the Financial Statements
Year Ended 31 March 2015

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.

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	£100,000
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.

For 2014/15 the de minimis level for computer equipment has increased to £100,000 (2013/14: £10,000). As the value of IT is nowadays effectively mostly written off immediately (a computer is roughly worth a resale value of 20% as soon as it is purchased), a de minimis level of £100,000 be applied, so that routine purchases of small value equipment and software is funded in the year. Larger projects' costs would therefore still be spread over 3 years.

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.

Notes to the Financial Statements
Year Ended 31 March 2015

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 2013.

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.

Notes to the Financial Statements
Year Ended 31 March 2015

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.

Reserves

The Board at its meeting in January 2015 set aside reserves as listed in page 14 above.

The Business Transformation Reserve – which is designed for 'Invest to Save' investments or where restructuring costs are to be incurred. The current plans include likely increased investment in Information Technology over the next few years, and this fund will assist with both transition costs relating to the Council's plans to exit from IT support through SERCO and potential costs of future transition or improvements to housing management core systems and web based developments.

The new build reserve which comprises the balance of funds available as approved by the Board. This is intended to subsidise investments in new build homes where Derby Homes are the substantive owner. A number of sites have been identified and are being considered for development / acquisition and further schemes will follow over time as opportunities arise. The intention is to use these funds to meet any revenue shortfall in the initial years of any new investment above that budgeted for and / or cover any immediate impairment charge that may arise on the properties.

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.

Notes to the Financial Statements
Year Ended 31 March 2015

2. Turnover, operating costs and operating surplus/ (deficit)

	Year ended 31 March 2015					
	Notes	Turnover	Operating Costs	Additional FRS 17 pension costs	Total Operating Costs	Operating Surplus / (deficit)
		£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	2.1	241	114	-	114	127
Management of Social Housing for the Council		9,955	8,905	446	9,351	604
Maintenance and Repair of Social Housing for the Council		16,177	14,468	211	14,679	1,498
Capital Works undertaken for the Council		5,684	5,656	51	5,707	(23)
Public Buildings Work undertaken for the Council		1,235	1,235	19	1,254	(19)
Development work for Derby Homes and the Council		148	306	9	315	(167)
Other activities		876	758	6	764	112
Total		**34,316**	**31,442**	**742**	**32,184**	**2,132**

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 2015

	Year ended 31 March 2014					
	Notes	Turnover	Operating Costs	Additional FRS 17 pension costs	Total Operating Costs	Operating Surplus / (deficit)
		£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	2.1	76	48	0	48	28
Management of Social Housing for the Council		9,765	9,037	290	9,327	438
Maintenance and Repair of Social Housing for the Council		15,598	15,568	273	15,841	(243)
Capital Works undertaken for the Council		4,905	4,870	55	4,925	(20)
Public Buildings Work undertaken for the Council		1,275	1,275	26	1,301	(26)
Development work for Derby Homes and the Council		4	335	8	343	(339)
Other activities		673	579	0	579	94
Total		**32,296**	**31,712**	**652**	**32,364**	**(68)**

2.1 Social Housing Lettings

	2015	2014
	£'000	£'000
Rents (net of void loss)	**213**	67
Service charge income	**28**	9
Net rental income	**241**	76
Expenditure		
Property insurance	**9**	3
Other supplies & services	**27**	15
Depreciation	**78**	30
Total Expenditure	**114**	48
Operating surplus on Social Housing lettings pre interest charges	**127**	28

Notes to the Financial Statements
Year Ended 31 March 2015

3. Information regarding directors and employees

Directors and executive officers' emoluments are as shown below. No pension contributions were made for Directors. Actual fee levels have remained frozen in 2014/15.

	2015 £'000	2014 £'000
Directors' emoluments		
Aggregate emoluments	**16**	16
Pension contributions	**-**	-
	16	16

Executive Officers' emoluments

During the period there were three permanent executive officers.

These executive officers are listed on page 2.

	2015 £'000	2014 £'000
Aggregate emoluments – executive officers	**264**	261
Pension contributions – executive officers	**40**	28
	304	289
Emoluments paid to the highest paid executive officer	**110**	111
Pension contributions – highest paid executive officer	**17**	12
	127	123

The highest paid Executive Officer is a member of the Derbyshire County Council defined benefit superannuation fund, with ordinary member status with no enhanced or special terms applying.

Notes to the Financial Statements
Year Ended 31 March 2015

Average number of persons employed (full time equivalents)

	2015 Number	2014 Number
Housing management	**213**	200
Central services and regeneration	**12**	24
Maintenance and repairs	**220**	205
	445	429

Full time equivalents are calculated based on a standard working week of 37 hours.

Staff costs during the year (including directors and executive officers)	**2015 £'000**	2014 £'000
Wages and salaries	**10,751**	10,593
Social security costs	**734**	764
Pension	**2,477**	1,963
	13,962	13,320

Salary bandings for all employees earning over £60,000	**2015 Number**	2014 Number
£60,000 to £70,000	**1**	-
£70,001 to £80,000	**2**	2
£80,001 to £90,000	**-**	-
£90,001 to £100,000	**-**	-
£100,001 to £110,000	**1**	1

4. Operating surplus

	2015 £'000	2014 £'000
The operating surplus is after charging:		
Depreciation	**401**	370
Loss on disposal of assets	**-**	1
Auditor's remuneration:		
- audit services	**19**	18
- non-audit services	**2**	2

Notes to the Financial Statements
Year Ended 31 March 2015

5. Other finance costs	2015 £'000	2014 £'000
Interest cost on pension obligation	**2,619**	2,575
Expected return on assets	**(2,713)**	(2,324)
	(94)	251

6. Tax on deficit on ordinary activities	2015 £'000	2014 £'000
United Kingdom corporation tax	**-**	-
	-	-

Factors affecting tax charge for year	2015 £'000	2014 £'000
Surplus / (Deficit) on ordinary activities before tax	**2,053**	(386)
Surplus on ordinary activities multiplied by corporation tax	**410**	-
Effects of:		
Non-taxable income and deductions	**(410)**	-
Adjustment to tax in respect of prior periods	**-**	-
	-	-

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 2013 and has been updated by independent actuaries to the Derbyshire County Council Pension Fund to take account of the requirements of FRS 17 & FRS102 in order to assess the liabilities of the fund as at 31 March 2015.

Notes to the Financial Statements
Year Ended 31 March 2015

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 amounts recognised in the balance sheet are as follows:

	2015	2014
	£'000	£'000
Present value of funded obligations	**(75,530)**	(59,824)
Fair value of scheme assets	**52,786**	45,762
Deficit	**(22,744)**	(14,062)

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

	2015	2014
	£'000	£'000
Interest on obligation	**2,619**	2,575
Expected return on scheme assets	**(2,713)**	(2,324)
Finance costs	**(94)**	251
Current service cost	**2,457**	1,896
Past service cost	**40**	-
Total	**2,403**	2,147

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

	2015	2014
	£'000	£'000
Actuarial (losses) / gains relating to pensions	**(7,994)**	2,579
Net (losses) / gains	**(7,994)**	2,579

This year's changes to actuarial assumptions have led to total losses of £11.1m in terms of the overall reserves.

Notes to the Financial Statements
Year Ended 31 March 2015

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

	2015	2014
	£'000	£'000
Opening defined benefit obligation	**59,824**	57,726
Interest cost	**2,619**	2,575
Actuarial loss / (gains)	**10,829**	(2,189)
Benefits paid	**(850)**	(768)
Current service cost	**2,457**	1,896
Past service cost	**40**	-
Members contributions	**611**	584
Closing defined benefit obligation	**75,530**	59,824

Changes in the fair value of scheme assets are as follows:	**2015**	2014
	£'000	£'000
Opening fair value of scheme assets	**45,762**	41,987
Expected return	**2,713**	2,324
Actuarial gains	**2,835**	390
Contributions by employer	**1,715**	1,245
Benefits paid	**(850)**	(768)
Members contributions	**611**	584
Closing fair value of scheme assets	**52,786**	45,762

The actual gain on scheme assets in the period was £5,548,000 (2013/14 - £2,714,000) gain.

During the year, the Company paid employer contributions of £1,715,000 (2013/14 - £1,245,000). The minimum contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. This was set at 12.5% for 2014/17. The Company expects to contribute over £2m to its defined benefit pension scheme in 2015/16. The employer contribution rate is to increase to 20% (2014/15 - 15%). The Company – with the support of Derby City Council – is increasing contributions to try and reduce the scale of pension fund deficits and improve funding levels over time. Current plans are to increase the contribution further to 25% in 2016/17.

Notes to the Financial Statements
Year Ended 31 March 2015

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

	2015 %	2014 %
Equities	**69**	70
Property	**5**	5
Government & other bonds	**20**	19
Cash/liquidity	**6**	6
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 2015 and 31 March 2014.

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

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

	2015 %	2014 %
Discount rate	**3.3**	4.3
Rate of increase in salaries	**3.4**	3.7
Rate of increase in pensions	**2.5**	2.9
Expected rate of return on assets	**3.3**	5.84

Life expectancy at 31 March 2015:

Of a male/ (female) future pensioner aged 65 in 20 years' time	24.1 (26.6) years
Of a male/ (female) current pensioner aged 65	22.0 (24.2) years

Notes to the Financial Statements
Year Ended 31 March 2015

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

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Defined benefit obligation	(75,530)	(59,824)	(57,726)	(47,887)	(44,515)
Scheme assets	52,786	45,762	41,987	36,407	35,194
	(22,744)	(14,062)	(15,739)	(11,480)	(9,321)
Percentage funded	70%	76%	73%	76%	79%
Experience adjustments on scheme liabilities	282	2,875	-	-	1,658
Experience adjustments on scheme assets	2,835	390	2,958	(1,712)	580

Notes to the Financial Statements
Year Ended 31 March 2015

8. Tangible fixed assets

	Social Housing Properties Held for letting	Social Housing Properties Under Development	Social Housing Total	Computer Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2014	2,684	528	3,212	1,805	1,256	6,273
Additions	2,783		2,783		174	2,957
Transferred	458	(458)	-			-
At 31 March 2015	**5,925**	**70**	**5,995**	**1,805**	**1,430**	**9,230**
Depreciation						
At 1 April 2014	46	-	46	1,685	349	2,080
Charge for the year	79	-	79	120	202	401
At 31 March 2015	**125**	**-**	**125**	**1,805**	**551**	**2,481**
Capital Grant						
At 1 April 2014	(1,049)	(458)	(1,507)	-	-	(1,507)
Receipts in year	(713)	-	(713)	-	-	(713)
Transferred	(458)	458	-			-
At 31 March 2015	**(2,220)**	**-**	**(2,220)**	**-**	**-**	**(2,220)**
Net book value						
At 31 March 2014	1,589	70	1,659	120	907	2,686
At 31 March 2015	**3,580**	**70**	**3,650**	**-**	**879**	**4,529**

The loans are secured by way of a legal charge held by Derby City Council over all current and future land and buildings.

The Social Housing Properties Held for Letting are Freehold.

The five flats held at 119 Green Lane, Derby are jointly held between Derby Homes and Revive, with an option to buy in 2037.

Notes to the Financial Statements
Year Ended 31 March 2015

Expenditure on works to existing properties	2015 £'000	2014 £'000
Amount capitalised	-	-
Amount charged to income and expenditure account	12	12
	12	12

9. Debtors: amounts falling due within one year	2015 £'000	As restated 2014 £'000
Amounts due from parent Company	3,098	4,168
Trade debtors	208	228
Other taxation	1,083	1,093
Prepayments and accrued income	120	258
	4,509	5,747

10. Creditors: amounts falling due within one year	2015 £'000	2014 £'000
Amounts owing to parent Company	1,338	1,900
Trade creditors	616	1,237
Corporation tax	5	5
Other taxation and social security	255	215
Other creditors	-	28
Accruals and deferred income	1,887	1,828
	4,101	5,213

Included within the Amounts owing to parent Company is £45,297 (2013/14 - £13,415) relating to property loans.

11 Creditors: amounts falling due after one year	2015 £'000	2014 £'000
Amounts owing to parent Company – New Build Loan	3,191	1,258
Repayments are due as follows:		
Between 1 and 2 years	47	14
Between 2 and 5 year	154	43
In more than 5 years	2,990	1,201

Notes to the Financial Statements
Year Ended 31 March 2015

Included within the creditors falling due after more than 1 year is a loan of £1.084m (2013/14 - £1.089m) charged at 5.06% interest rate and a loan of £0.160m (2013/14 - £0.168m) charged at 6% interest rate. New loans of £0.229m taken this year relating to the development at Chesapeake (at 4.05%) have £0.218m outstanding over one year and the new £1.78m loan for Elton Road (at 5.5%) has £1.729m outstanding over one year. The loans are secured by way of a legal charge held by Derby City Council over all current and future land and buildings.

12 Reserves

	Pension Reserve	Designated Reserves	Restricted Fund	General Reserves	**Total Reserves**
	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 April 2014	(14,062)	4,660	-	1,300	**(8,102)**
Receipt			2		**2**
Applied in year		(400)	(2)	400	**(2)**
Surplus / (deficit) for the year	(688)	2,742			**2,053**
Actuarial (loss) in year	(7,994)				**(7,994)**
Balance at 31 March 2015	(22,744)	7,002	-	1,700	**(14,042)**

The designated reserves totalling £7m are planned to be used as detailed on page 14 of the Operating & Financial Review.

The Restricted Fund relates to a Big Lottery Fund Grant towards the Oscar Tracks projects.

13 Capital Commitments

At 31 March 2015 there were no capital commitments (2013/14 - £2.295m).

14 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, The Council House, Corporation Street, Derby, DE1 2FT.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 2015

15 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.

Three 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. There are no significant rental arrears to report in relation to these tenants as at year end.

16 Accommodation in Management and Development

At the end of the year accommodation in management for each class of accommodation was as follows:

	2015	2014
Social Housing		
General needs housing – social	**11,809**	11,848
General needs housing – affordable	**13**	12
Supported housing and housing for older people	**1,658**	1,662
Total Social Housing	**13,480**	13,522
Non Social Housing		
Market rent	**14**	14
Other shared equity	**-**	-
Total non-Social Housing	**14**	14
Total owned and managed	**13,494**	13,536

Included in the above table are 79 (2013/14 - 33) owned properties let as general needs housing – social and 5 (2013/14 - 5) owned properties let as non-social housing.
All other properties are managed on behalf of other organisations:

	2015	2014
Derby City Council	**13,311**	13,399
Parkview Properties Derby Ltd	**9**	9
Lillian Prime Trust	**6**	6
The Guinness Trust	**33**	33
War Memorial Village (Derby) Ltd	**51**	51
	13,410	13,498

17 Prior year adjustment

In previous years a bank account held on the company's behalf by Derby City Council was disclosed within amounts due from parent company. The cash at bank amounted to £6,852,000 in the year to 31 March 2015 and £3,820,000 in the year to 31 March 2014. In the year to 31 March 2015 the directors decided it would be more appropriate to include this bank account as cash at bank as the bank account is effectively controlled by Derby Homes Limited. As this amounts to a correction of a fundamental error this has been disclosed as a prior period adjustment.