Derby Homes
Financial Statement

2012/13

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 2013

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(A company limited by guarantee)

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Report and Financial Statements

Year ended 31 March 2013

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Report and Financial Statements
Year Ended 31 March 2013

Board Members, Executive Officers, Advisors and Bankers

Directors

J P Bayliss	(appointed 25.02.02; resigned 09.05.06; re-appointed 25.05.07; resigned 04.05.12)
D J Rees	(appointed 28.02.02)
A G S Osler (Chair)	(appointed 28.02.02)
I M MacDonald	(appointed 28.02.02)
R M Troup	(appointed 29.05.03; resigned 27.05.08; re-appointed 07.06.10; resigned 23.05.12; re-appointed 22.5.13)
T Ndlovu	(appointed 07.05.04)
R M Webb	(appointed 27.07.04; resigned 09.06.05; re-appointed 25.05.06)
M Redfern	(appointed 26.07.05)
K Whitehead	(appointed 24.10.07)
A Holme	(appointed 17.02.09)
S B Perry	(appointed 17.02.09)
J Keith	(appointed 25.05.11; resigned 22.5.13)
M Ainsley	(appointed 27.09.11)
M Menzies	(appointed 27.10.11)
A Martin	(appointed 23.05.12)
L Winter	(appointed 23.05.12; resigned 22.5.13)
F Walker	(appointed 29.11.12)
D Roberts	(appointed 22.5.13)

Executive officers
P J Davies – deceased 03.07.12
D Enticott
S Bennett
M J Murphy

Secretary
D Enticott

Registered Office
Floor 3
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
The Co-operative Bank
East Street
Derby
DE1 2AL

Report of the Directors
Year Ended 31 March 2013

The Directors also referred to as the Board, present their annual report and the audited financial statements for the year ended 31 March 2013.

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

Date of Incorporation

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

Principal Activities

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

This includes:

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

Derby Homes also directly provides services to 499 leaseholders of the council and has agreements with external landlords to manage and maintain 113 properties. These landlords include Metropolitan, Guinness and Northern Counties Housing Association, Lillian Prime Ltd and other landlords. Derby Homes also provides other services to the Council and to leaseholders of the Council.

Derby Homes is registered with the Homes and Community Agency and has built 10 properties for affordable rent which it manages. Derby Homes has also acquired flats in a Victorian building which it owns and manages in partnership with Derwent New Deal, who are currently in the process of novating contracts to Revive Healthy Living.

Report of the Directors (continued)
Year Ended 31 March 2013

Review of Results

The income and expenditure account for the period is set out on page 22. Following the processing of FRS17 transactions the business returned a surplus after taxation for the period of £1.061m. This was after a charge of £0.735m which arose from the application of FRS17 on accounting for pensions, as disclosed in Note 7 to the financial statements plus £0.012m relating to interest payable on loans from the Council.

	£'000	£'000
Underlying management account operating surplus		1,808
FRS 17 adjustments:		
Add back of employer pension contributions paid in year	1,251	
Less past service cost	(31)	
Less current service costs	(1,512)	
		(292)
Operating surplus		1,516
Less net interest on pensions		(443)
Less other interest payable		(12)
Retained surplus for the year		**1,061**

The company has this year achieved its target of saving £1m a year in management costs to enable the Council to target more resources at capital spending. Indeed it has reduced costs further than this and is planning to reinvest in new homes using that resource and borrowing from the Council.

The 2012/13 financial performance – once pension factors are removed – has been exceptional as a result of huge investment into new vans and a renewal of the maintenance depot as an office base, and a significant increase in productivity within responsive repairs and voids. As the company has achieved its target savings well ahead of schedule, surpluses have arisen that will reduce in future as the management fee is reduced.

The Board is satisfied with the performance of the company during 2012/13.

Going Concern

At its meeting on 25 July 2013, the Board of Derby Homes Ltd approved the statement that, in their opinion, Derby Homes Ltd has adequate resources to continue in operational existence for the foreseeable future. The company has a 10 year contract (9 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.

Report of the Directors (continued)
Year Ended 31 March 2013

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.

Furthermore, the Council has announced that the outcome of the review into Housing services is that Derby Homes will remain as a separate company for the foreseeable future.

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

The Board and Executive Officers

The Board of Derby Homes Limited consists of 15 voluntary members. There are 4 tenant, 1 leaseholder, 5 councillor and 5 independent members. 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. These may be changed by the Council in the next year as part of the outcome of their review.

The Board and Executive Officers are set out on page 2

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

Corporate Governance

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

The Company Governance Arrangements include:

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

Report of the Directors (continued)
Year Ended 31 March 2013

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:

- City Board
- Resources, Remuneration & Regeneration Committee.

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

Audit Committee

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

The primary function of the Committee is to:

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

Employee Involvement

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

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

Report of the Directors (continued)
Year Ended 31 March 2013

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

Derby Homes have committed to recruiting up to 20 apprentices in 2013/14 to supplement the existing workforce. These will be short term opportunities to learn and train while carrying out real work which should help them to get a job in the future.

Equality and Diversity

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

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

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

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

Report of the Directors (continued)
Year Ended 31 March 2013

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.

Risk Management

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

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

Each risk has a Risk Management Action Plan. Progress on these plans was reviewed and reassessed and scores updated in March 2013. There are three high risk issues identified:

- Possible reduction in Supporting People grant
- Failure to anticipate and prepare for Government policy changes and their impact on tenants
- Failure to update and maintain our tenant profile database to be used in improving customer service

Report of the Directors (continued)
Year Ended 31 March 2013

Internal Controls Assurance

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

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

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

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

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

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.

Report of the Directors (continued)
Year Ended 31 March 2013

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

Provision of Information to Auditor

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

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

By order of the Board

AGS Osler
Chair
25 July 2013

D Enticott
Secretary
25 July 2013

Statement of Directors' Responsibilities
Year Ended 31 March 2013

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

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

In preparing these financial statements the directors are required to:

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

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

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

Operating and Financial Review
Year Ended 31 March 2013

Major Developments during 2012/13

There have been several major developments affecting the future of Derby Homes during 2012/13.

Firstly, Derby Homes' original services agreement concluded on 31 March 2012 and Derby City Council has agreed a new contract with Derby Homes under which the company is responsible for the Housing Management & Maintenance Services from April 2012 for a further period of 10 years, with a break clause after 5 years. This is therefore the first year of operation of the latest contract.

Secondly, April 2012 saw the start of the reformed financial system for the Council's Housing Revenue Account (HRA) – the first year where subsidy no longer applied in exchange for adjusted debt. This translates to give more resources to the Council's HRA to invest in Council housing. While this has no direct bearing on Derby Homes' financial position, it enables the Council to consider further what additional housing, services and maintenance of existing homes it wishes to consider using the resources it has to best effect. Derby Homes' management fee has been reduced in real terms but its maintenance funding has been increased and major repairs – funded directly by the Council – have also been increased substantially as a result. This change to the system has transformed a long term deficit for the HRA – which would have been problematic for Derby Homes – into a surplus, which presents a number of opportunities for Derby Homes and the Council.

Partly as a result of the funding change, Derby City Council announced a further review of housing management during 2012. Following the Council Cabinet's confirmation of the outcome of that review, Derby Homes is able to confirm that it will continue to operate as a separate company into the future, although there will undoubtedly be a change in the way that the Council and Derby Homes operate together.

Thirdly, Derby Homes' company headquarters moved during the financial year from Cardinal Square, Derby to Corporation Street, Derby, renting the top floor of the new Council House building. Derby Homes operates throughout the City of Derby area.

Furthermore, Derby Homes has been affected by two tragic events during the year – the deaths of six children in one of our properties on Victory Road, Osmaston and of our Chief Executive, Phil Davies. While the company has coped, we have been affected by both and we would hope that we never have to experience similar events again.

Now that the Council's review of housing has concluded, the future for Derby Homes looks good. Our financial position – while appearing difficult overall due to the presence of a considerable pension fund deficit of £15.7m – for which there is a long term recovery plan in place – remains robust and indeed should enable sensible investment in partnership with the Council to develop new homes to let at social rented levels.

Operating and Financial Review (continued)
Year Ended 31 March 2013

Value for Money Review
Derby Homes is committed to embracing a value for money culture by continuing to deliver continuous improvement on the performance of running costs and the use of assets. This can be evidenced by:

1) Robust Approach to Making Decisions

Derby Homes has developed a Value for Money strategy that is approved by the Board; this will further be enhanced through taking into account best practices, in particular with respect to the developing areas of social and environmental returns on assets.

2) Optimising Return on Assets

Alongside the principal activities undertaken as detailed on page 3, there are a number of both social and environmental benefits arising from these key functions and related activities, these include:

- Working alongside a local community group, OSCAR, in developing the largest community led housing development scheme in the country to go alongside OSCAR's achievements in setting up and running the largest Neighbourhood Watch in the country.
- Working alongside Derbyshire Fire and Rescue Service in installing sprinkler systems in new build properties
- Attracting over £4m of CESP funding to fund energy saving measures including insulation related improvements to 2,700 homes
- Starting the first significant new build of Council housing in Derby for over 30 years, with plans for expansion in this area in the short and medium term.

The overall value of Council housing can be partly assessed by comparing the rents that might be charged if all Council housing was set at the Local Housing Allowance (LHA) level and comparing this with the target rents that will be charged once all properties converge (actual rents are currently protected at lower levels for some tenants). This amounts to a net benefit of approx. £20m, of which around half would be charged to the government in higher Housing Benefit if tenants rented from the private sector at the LHA level, leaving £10m as a yearly social return for tenants.

We will be considering further methods in measuring the social and environmental return on our investments and utilising these as part of the future decisions about real returns on investments in homes. Reductions in costs of tenants through energy efficiency for instance make no direct contribution to our financial position but clearly have a benefit to both tenants and the environment. The investment of £6m in solar panels in 2011 is already returning a direct payment to the Council of around 12.5% but will be enhanced by a benefit of at least £150 a year to tenants – which amounts to a further 2.2% return on the original investment.

Operating and Financial Review (continued)
Year Ended 31 March 2013

3) Performance management and Scrutiny

In 2012/13 we concluded the business transformation programme. The original objective was to save £2.2m from our costs within four years from 2010/11. The move away from Cardinal Square to a combination of the Council House and London Road has – on top of a large number of efficiencies already delivered – now completed that task a year ahead of schedule. As a result, the Council has saved £1m in management fee in real terms and the company's financial results (before pension fund deficit) have been very positive.

As a result, it has enabled the re-investment of savings into front line maintenance, but at the same time productivity of operations has improved markedly. This combination delivers a significant improvement in value for money for tenants overall.

4) Understanding Costs and outcomes

The broad costs of the key areas of the services are summarised in the table shown in Note 2 of the accounts on page 31. There is considerable consultation and review with the tenants, through the tenants group DACP and Housing Focus Groups, in both the types of services offered and quality standards associated with these.

The overall strategy for Derby Homes is set by Derby City Council as part of the management agreement in place. These support the wider strategic aims that the Council is looking to provide for the City as a whole.

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

The ten year contract to manage council housing until 2022 required a reduction of £1m in the management fee over the four years to 2014/15 in order to increase spending on delivery and maintenance of the Council's housing stock. As a result of costs being reduced ahead of the reductions in management fee, the financial results and reserves are better than they will be in the longer term. The overall position was set out in a paper to the Board, which suggested there is now an underlying surplus of around £0.5m a year. The Board agreed to set this towards subsidising future new build properties owned by Derby Homes.

The financial result for the year shows a surplus of £1.1m after FRS 17 pension adjustments of £0.7m and, while the balance sheet overall shows a negative value of the company of £10.3m, this is due entirely to the pension fund deficit which now stands at £15.7m. 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. This will be further reviewed next year as part of the triennial review of the pension fund. In 2014, the implementation of pension fund reforms is likely to result in lower long term liabilities and greater contributions from staff. As a result of the overall deficit, the Company relies on the

Operating and Financial Review (continued)
Year Ended 31 March 2013

Council to support it through a representation letter from the council's Strategic Director of Resources, which effectively underwrites the pension fund deficit of the company. If the pension fund deficit is removed, balance sheet reserves stand at £5.4m, of which £4.1m are designated reserves, with a balance of £1.3m held as general reserves.

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 2012/13 with 2011/12

Indicator	Description	2011/12 Achieved	2012/13 Target	2012/1 Achiev
DH Local 24 (BVPI 63)	Energy Efficiency - average SAP (Standard Assessment Procedure) rating of dwellings.	71.00	72.00	72.
DH Local 43 (HMP210)	Rent collected by the local authority as a proportion of rents owed on Housing Revenue Account (HRA) dwellings	98.28%*	99%	99.83
DH Local 8 (BVPI 66b)	No. of tenants with more than seven weeks of (gross) rent arrears as a % of the total number of tenants.	6.49%	6.25%	5.78
DH Local 27	Tenant Satisfaction with Landlord (All)	83.08%	88.00%	83.40
DH Local (BVPI 75a/b/c)	Tenant Satisfaction with views taken into account	64.40%	68.00%	61.80
(BVPI 164)	Does the authority follow the Commission for Racial Equality's Code of Practice in rented Housing and the Good Practice Standards for Social Landlords on tackling Harassment?	Yes	Yes	Yes
National Indicator 158	Non-Decent Local Authority Dwellings (percentage)	0.00%	0.00%	0.00
DH Local 21 (BVPI 212)	Average time taken to re-let local authority housing.	23.32 days	23.50 days	20.3 days

* 11/12 Rent measure was BV66a (12/13: 98.25%)

Operating and Financial Review (continued)
Year Ended 31 March 2013

Performance Highlights 2012/13

Performance remains very good, with key indicators all meeting targets set by the Council with the exception of customer satisfaction where a challenging target of 88% was set. Performance is broadly the same at 83.4%. Of those tenants that 'expressed a preference' satisfaction reached 91%.

Void performance has been outstanding. Average void re-let time has reduced to 21 days. Costs have also reduced. Partly this performance relates to consistent high demand and lower turnover of voids as a result of tenants wishing to stay longer, but there has also been a significant improvement in efficiency. There is likely to be no further significant improvement in this area in terms of turnover as the demand for almost half of the stock which is three bedrooms may reduce as a result of the under occupancy charge or bedroom tax which will also create a corresponding increase in demand for smaller properties to add to the huge demand already evident for them. As a result, we can expect to see an increased time to re-let properties in future.

Rent collected has also remained about the same level of overall collection at 99.83% despite a considerable (8.2%) increase in average rent levels and the start of welfare reform. The prospects for the future in this area are clearly going to be difficult as a result of welfare reform and universal credit in particular once this applies fully locally. The impact of these reforms will take a few years to come through, but will inevitably worsen performance in a number of areas – income recovery/arrears, void turnover and costs are all expected to get worse. Derby Homes will of course attempt to mitigate these effects as much as possible.

Awards

Derby Homes has been supporting the Osmaston Community Association of Residents (OSCAR), which apart from running the country's largest Neighbourhood Watch scheme, has made a successful bid to the Homes and Communities Agency for over £1m of funding for the redevelopment of the Osmaston estate. This resulted in a nomination for Best Community Group at the National Chartered Institute of Housing Awards ceremony.

Derby Homes remains accredited to a number of awards including ROSPA Gold for Health and Safety, Investors in People, ISO 9001 and others.

Operating and Financial Review (continued)
Year Ended 31 March 2013

Dynamics of the company

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

The Welfare Reform Act and resultant changes to the Housing Benefit system which may result in additional pressure on the company's housing management services. Departments particularly affected are those handling arrears and direct debit processing, both of which are likely to increase substantially. This has been addressed by employing additional staff in both areas with a view to keeping up levels of support and advice to tenants and then recovery from tenants who do fall into arrears.

Right to Buy numbers have increased markedly during the year from 35 in 2011/12 to 70. This increase means that a limited amount of funding (£0.5m) can be retained by the Council for reinvestment into new Council housing. Levels of sales are expected to increase further – the HRA business plan allows for 108 a year to be lost, but to be largely replaced over the next three years by new investment by the Council and Derby Homes.

The Company's financial position is robust in the short term. The current level of operating surplus excluding pension fund adjustments means that sufficient funding is available to sustain the existing operations of the Company.

The most immediate pressure on the Company's finances is to deal with the implications of the loss of funding through Supporting People funding or eligible service charges for the Supported Living Service, Tenancy Support and Tenancy Sustainment. These services can be combined to increase overall efficiency, but at the present time will have no funding beyond the current financial year. If no action is taken this pressure would be greater than the savings accrued to date for new build properties.

Operating and Financial Review (continued)
Year Ended 31 March 2013

Investment and improvement for the future

As a result of the funding available to the HRA and its ability to replace some lost RTB properties, as well as dealing with the major issues outlined above, it is anticipated that reserve levels can be reduced and applied to areas where investment will produce further savings / increased revenue for the future or funds works associated in complying with current best practices and legislation.

Current approved plans for the designated reserves are:

- Investment in refurbishment of property (subject to purchase) £600,000
- Gas related works £650,000
- Electrical testing £700,000
- Improving access to IT and common rooms £70,000
- Development pump priming £150,000
- Whitecross scooter store £30,000
- Asbestos replacement £100,000
- Contribution towards Supported Living Service £250,000
- Business Transformation Reserve £500,000
- New build / acquisition reserve £1,094,000

This takes the immediate reinvestment programme to £4.144m, reducing the uncommitted general reserves to £1.3m. Derby Homes has always aimed to keep around 5% of turnover as a 'normal' level of contingency within its reserves and £1.3m is just over 4% of the underlying turnover.

The new build revenue reserve, created using the balance of savings made over the past few years, now has £1.094m available. This funding can be used alongside borrowing from the Council to purchase or build new homes as part of the new partnership arrangements. Such investments would be protected from the Right to Buy and for flats in particular could mean that investments become possible where they would not be viable for the Council directly.

Financial Review and Capital Structure

The main accounting policies are set out on pages 27 to 30.

As a wholly owned ALMO subsidiary of Derby City Council, the capital structure has been approved by the council. The balance sheet set out on page 24 shows a deficiency of total funds which results from the defined pension fund liability but as noted in the Directors' Report and Accounting Polices, this major liability is underwritten by the council. Excluding the pension liability, total reserves as at 31 March 2013 amount to £5.444m.

Operating and Financial Review (continued)
Year Ended 31 March 2013

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

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

We have audited the financial statements of Derby Homes Limited for the year ended 31 March 2013 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 association'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 association'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 association and the association'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 auditors

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 association's affairs as at 31 March 2013 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 2012.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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 7th August 2013

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

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

Income and Expenditure Account
Year Ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	**30,062**	35,986
Operating costs	2	**(28,546)**	(35,187)
Operating Surplus	4	**1,516**	799
Interest payable and similar charges		**(12)**	(14)
Pension finance costs	5	**(443)**	(164)
Surplus on ordinary activities before taxation		**1,061**	621
Tax on surplus/(deficit) on ordinary activities	6	**-**	-
Surplus on ordinary activities after taxation	12	**1,061**	621
Retained surplus for the year		**1,061**	621

All amounts relate to continuing activities.

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

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

Statement of Total Recognised Surpluses and Deficits for the year ended 31 March 2013

Surplus for the financial year		**2013**	2012
		£'000	£'000
Surplus for the financial year		**1,061**	621
Actuarial (losses) relating to pensions		**(3,524)**	(1,712)
		(2,463)	(1,091)
Prior year adjustment		**-**	-
Total recognised (losses) since last annual report	7	**(2,463)**	(1,091)

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

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

Balance Sheet
At 31 March 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Housing Properties			
Cost less depreciation		**1,213**	1,219
Capital grant		**(1,049)**	(1,049)
Net book value of housing properties		**164**	170
Other fixed assets		**1,000**	523
	8	**1,164**	693
Current assets			
Debtors	9	**6,679**	7,737
Stock		**131**	113
Cash in hand		**2**	2
		6,812	7,852
Creditors: amounts falling due within one year	10	**(2,348)**	(4,712)
Net current assets		**4,464**	3,140
Creditors: amounts falling due after one year	11	**(184)**	(192)
Net assets before pension liability		**5,444**	3,641
Defined benefit pension liability	7	**(15,739)**	(11,480)
Net liabilities after pension liability		**(10,295)**	(7,839)
Reserves			
Defined benefit pension liability reserve	12	**(15,739)**	(11,480)
Designated reserves	12	**4,144**	2,050
Revenue reserves	12	**1,300**	1,591
Total funds	12	**(10,295)**	(7,839)

These financial statements were authorised and approved by the Board of Directors on 25 July 2013.

Signed on behalf of the Board of Directors

AGS Osler
Chair

D Enticott
Secretary

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

Cash Flow Statement
Year Ended 31 March 2013

	2013 £'000	2012 £'000
Reconciliation of operating surplus to net cash Inflow/(outflow) from operating activities		
Operating surplus	**1,516**	799
Loss on disposal of fixed assets	**29**	-
Depreciation	**396**	324
Increase in stocks	**(18)**	(72)
Decrease / (Increase) in debtors	**1,058**	(528)
Decrease in creditors	**(2,364)**	(228)
Prior year adjustment on fixed assets	**7**	-
Movement in FRS17 adjustment	**292**	283
Net cash inflow from operating activities	**916**	578
Cash flow statement		
Net cash inflow from operating activities	**916**	578
Return on investments and servicing of finance	**(12)**	(14)
Capital Expenditure:		
Fixed Asset additions	**(896)**	(557)
Cash inflow before financing	**8**	7
Financing – loan principal repayments	**(8)**	(8)
(Decrease) in cash	**-**	(1)

Reconciliation of net cash flow to movement in net debt for the year ended 31 March 2013

	2013 £'000	2012 £'000
Decrease in cash in the year	-	(1)
Cash outflow from decrease in debt and lease financing	8	8
Movement in net debt in the year	8	7
Net debt at 1 April 2012	(190)	(197)
Net debt at 31 March 2013	(182)	(190)

Analysis of changes in net debt

	1 April 2012 £'000	**Cash flow**	**31 March 2013 £'000**
Cash at bank and in hand	2	-	2
	2	-	2
Debts falling due after more than one year	(192)	8	(184)
Net debt	(190)	8	(182)

Notes to the Financial Statements
Year Ended 31 March 2013

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, Retirement Benefits. However, this is underwritten by Derby City Council.

Turnover

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

Operating Costs

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

Overheads and Administrative Costs

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

Tangible fixed assets and depreciation

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

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

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

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

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

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

Impairment

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

Taxation including deferred tax

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

Operating leases

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

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

Pension costs

Local government pension scheme

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

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

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

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

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

Debtors and creditors

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

Value Added Tax (VAT)

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

Accounting for grants

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

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

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

Reserves

The Board at its meeting in January set aside from within its projected reserves funding for various projects listed in page 18 above. These have been classified as designated reserves and are expected to be utilised within two years with the majority of the funding to be used within a year.

Two projects may take longer to be fully utilised: firstly Business Transformation Reserve – which is designed for 'Invest to Save' investments or where restructuring costs are to be incurred. Currently there are no firm plans against this reserve. Finally there is a New build reserve which comprises the balance of funds available as approved by the Board in March. This is intended to subsidise investments in new build homes where Derby Homes are the substantive owner. The first plan relating to this fund is already being considered 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.

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 2013 (Continued)

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

	Year ended 31 March 2013					
	Notes	Turnover	Operating Costs	Additional FRS 17 pension costs	Total Operating Costs	Operating Surplus or (deficit)
		£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	2.1	57	35	-	35	22
Management of Social Housing for the council		10,352	9,070	140	9,210	1,142
Maintenance and Repair of Social Housing for the Council		15,089	14,643	115	14,758	331
Capital Works undertaken for the Council		2,714	2,688	24	2,712	2
Public Buildings Work undertaken for the Council		1,392	1,411	13	1,424	(32)
Other activities		458	407	-	407	51
Total		**30,062**	**28,254**	**292**	**28,546**	**1,516**

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 2013 (Continued)

	Year ended 31 March 2012					
	Notes	Turnover	Operating Costs	Additional FRS 17 pension costs	Total Operating Costs	Operating Surplus or (deficit)
		£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	2.1	56	44	-	44	12
Management of Social Housing for the council		12,753	11,864	147	12,011	742
Maintenance and Repair of Social Housing for the Council		12,358	12,201	104	12,305	53
Capital Works undertaken for the Council		9,005	9,005	19	9,024	(19)
Public Buildings Work undertaken for the Council		1,371	1,371	12	1,383	(12)
Other activities		443	419	1	420	23
Total		**35,986**	**34,904**	**283**	**35,187**	**799**

2.1 Social Housing Lettings

	2013	2012
	£'000	£000
Rents (net of void loss)	50	49
Service charge income	7	7
Net rental income	**57**	56
Expenditure		
Property insurance	3	3
Other supplies & services	26	35
Depreciation	6	6
Total Expenditure	**35**	44
Operating surplus on Social Housing lettings	**22**	12

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

3. Information regarding directors and employees

Directors and executive officers' emoluments are as shown below. No pension contributions were made for Directors. Directors emoluments were introduced from October 2011, hence the part year totals for 2011/12. Actual fee levels have remained frozen in 2012/13.

	2013 £'000	2012 £'000
Directors' emoluments		
Aggregate emoluments	**16**	8
Pension contributions	**-**	-
	16	8

Executive Officers' emoluments

At the start of the period there were four permanent executive officers including a Chief Executive. Following the death of the Chief Executive in July 2012, an Interim Chief Executive was appointed on a consultancy basis until February 2013. The cost of this work was £57,400. Since then the Chief Executive duties were undertaken by one of the three Executive Officers.

These executive officers are listed on page 2.

	2013 £'000	2012 £'000
Aggregate emoluments – executive officers	**262**	333
Pension contributions – executive officers	**28**	38
	290	371
Interim Chief Executive consultant	**57**	-
	347	371
Emoluments paid to the highest paid executive officer	**75**	113
Pension contributions – highest paid executive officer	**8**	12
	83	125

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 2013 (Continued)

Average number of persons employed (full time equivalents)

	2013	2012
Housing management	**181**	182
Central services and regeneration	**38**	63
Maintenance and repairs	**195**	160
	414	405

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

Staff costs during the year (including directors and executive officers)	**2013 £'000**	2012 £'000
Wages and salaries	**10,263**	10,043
Social security costs	**754**	752
Pension	**1,519**	1,521
	12,536	12,316
Past service cost	**31**	-
	12,567	12,316

Salary bandings for all employees earning over £60,000	**2013 Number**	2012 Number
£60,000 to £70,000	**-**	-
£70,001 to £80,000	**3**	3
£80,001 to £90,000	**-**	-
£90,001 to £100,000	**-**	-
£100,101 to £110,000	**-**	1

4. Operating surplus

	2013 £'000	2012 £'000
The operating surplus is after charging:		
Depreciation	**396**	324
Loss on disposal of assets	**29**	-
Auditor's remuneration:		
- audit services	**18**	20
- non-audit services, taxation	**3**	8
Operating lease rentals - equipment	**14**	10

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

5. Other finance costs	2013 £'000	2012 £'000
Interest cost on pension obligation	**2,464**	2,473
Expected return on assets	**(2,021)**	(2,309)
	443	164

6. Tax on surplus on ordinary activities	2013 £'000	2012 £'000
United Kingdom corporation tax	-	5
Adjustments in respect of prior periods	-	(5)
	-	-

Factors affecting tax charge for year	2013 £'000	2012 £'000
Surplus on ordinary activities before tax	**1,061**	621
Surplus on ordinary activities multiplied by corporation tax	**212**	124
Effects of:		
Non taxable income and deductions	**(212)**	(123)
Adjustment to tax in respect of prior periods	-	(1)
	-	-

7. Pensions

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

The most recent valuation was carried out as at 31 March 2010 and has been updated by independent actuaries to the Derbyshire County Council Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the fund as at 31 March 2013.

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

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:

	2013	2012
	£'000	£'000
Present value of funded obligations	**(57,726)**	(47,887)
Fair value of scheme assets	**41,987**	36,407
Deficit	**(15,739)**	(11,480)

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

	2013	2012
	£'000	£'000
Interest on obligation	**2,464**	2,473
Expected return on scheme assets	**(2,021)**	(2,309)
Finance costs	**443**	164
Current service cost	**1,512**	1,504
Past service cost	**31**	-
Total	**1,986**	1,668

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

	2013	2012
	£'000	£'000
Actuarial (losses) relating to pensions	**(3,524)**	(1,712)
Net (losses)	**(3,524)**	(1,712)

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

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

	2013	2012
	£'000	£'000
Opening defined benefit obligation	**47,887**	44,515
Interest cost	**2,464**	2,473
Actuarial loss	**6,482**	-
Benefits paid	**(1,223)**	(1,176)
Current service cost	**1,512**	1,504
Past service cost	**31**	-
Members contributions	**573**	571
Closing defined benefit obligation	**57,726**	47,887

Changes in the fair value of scheme assets are as follows:	**2013**	2012
	£'000	£'000
Opening fair value of scheme assets	**36,407**	35,194
Expected return	**2,021**	2,309
Actuarial gains/(losses)	**2,958**	(1,712)
Contributions by employer	**1,251**	1,221
Benefits paid	**(1,223)**	(1,176)
Members contributions	**573**	571
Closing fair value of scheme assets	**41,987**	36,407

The actual gain on scheme assets in the period was £4,979,000 (2011/12 - £597,000) gain).

During the year, the Company paid employer contributions of £1,251,000. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The company expects to contribute £1,223,000 to its defined benefit pension scheme in 2013/14.

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

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

	2013	2012
	%	%
Equities	**66.0**	64.3
Property	**5.0**	5.4
Government bonds	**15.0**	16.7
Other bonds	**5.0**	5.3
Cash/liquidity	**8.0**	7.3
Other	**1.0**	1.0
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 2013 and 31 March 2012.

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

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

	2013	2012
	%	%
CPI Inflation rate	**2.4**	2.6
Discount rate	**4.4**	5.1
Rate of increase in salaries	**4.15**	4.35
Rate of increase in pensions	**2.4**	2.6
Expected rate of return on assets	**5.47**	5.51

Life expectancy at 31 March 2013:

Of a male/ (female) future pensioner aged 65 in 20 years' time	24.0 (26.8) years
Of a male/ (female) current pensioner aged 65	22.2 (24.8) years

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Defined benefit obligation	(57,726)	(47,887)	(44,515)	(31,169)	(19,752)
Scheme assets	41,987	36,407	35,194	19,818	14,095
	(15,739)	(11,480)	(9,321)	(11,351)	(5,657)
Percentage funded	73%	76%	79%	64%	72%
Experience adjustments on scheme liabilities	-	-	1,658	-	-
Experience adjustments on scheme assets	2,958	(1,712)	580	4,094	(4,024)

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

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

8. Tangible fixed assets

	Social Housing Properties Held for letting £'000	Computer Equipment £'000	Motor Vehicles £'000	Other Assets £'000	Total £'000
Cost					
At 1 April 2012	1,229	2,223	170	13	3,635
Disposals	-	(392)	-	-	(392)
Additions	-	19	877	-	896
At 31 March 2013	**1,229**	**1,850**	**1,047**	**13**	**4,139**
Depreciation					
At 1 April 2012	10	1,846	24	13	1,893
Disposals	-	(363)	-	-	(363)
Charge for the year	6	242	148	-	396
At 31 March 2013	**16**	**1,725**	**172**	**13**	**1,926**
Capital Grant					
At 1 April 2012	(1,049)	-	-	-	(1,049)
Receipts in year	-	-	-	-	-
At 31 March 2013	**(1,049)**	**-**	**-**	**-**	**(1,049)**
Net book value					
At 31 March 2012	170	377	146	-	693
At 31 March 2013	**164**	**125**	**875**	**-**	**1,164**

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

The Social Housing Properties Held for Letting are Freehold.

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

Expenditure on works to existing properties	2013 £'000	2012 £'000
Amount capitalised	-	-
Amount charged to income and expenditure account	19	-
	19	-

9. Debtors: amounts falling due within one year

	2013 £'000	2012 £'000
Amounts due from parent company	5,402	7,204
Trade debtors	90	67
Other taxation	1,031	-
Prepayments and accrued income	156	466
	6,679	7,737

Included in amounts due from the parent company is £1,479,000, (2012 £514,000), being a bank account held on the company's behalf by Derby City Council.

10. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owing to parent company	777	1,130
Trade creditors	612	738
Corporation tax	5	5
Other taxation and social security	27	1,362
Other creditors	-	150
Accruals and deferred income	927	1,327
	2,348	4,712

11 Creditors: amounts falling due after one year

	2013 £'000	2012 £'000
Amounts owing to parent company – New Build Loan	184	192
Repayments are due as follows:		
Within 5 years	40	40
In more than 5 years	144	152

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

Notes to the Financial Statements
Year Ended 31 March 2013 (Continued)

12 Reserves

	Pension Reserve	Designated reserves	General reserves	**Total reserves**
	£'000	£'000	£'000	**£'000**
Pension reserve	(11,480)			**(11,480)**
Designated reserves		2,050		**2,050**
Revenue reserves			1,591	**1,591**
Balance at 1 April 2012	(11,480)	2,050	1,591	**(7,839)**
Prior year adjustment			7	**7**
Surplus for the year	(735)	2,094	(298)	**1,061**
Actuarial losses in year	(3,524)			**(3,524)**
Balance at 31 March 2013	(15,739)	4,144	1,300	**(10,295)**

The designated reserves totalling £4.144m are planned to be used to fund a variety of works as detailed on page 18 of the Operating & Financial Review.

13 Capital Commitments

At 31 March 2013 there were no capital commitments (2011/12 - £559,000).

14 Operating Lease Commitments

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as follows:

Equipment	**2013**	2012
	£'000	£'000
Expiry date :		
Between 1 and 2 years	**13**	7
Between 2 and 5 years	**1**	2

15 Parent Undertaking

The Company is a local authority controlled company within the meaning of Part V of the Local Government and Housing Act 1989, being a company under the control of Derby City Council. Copies of the financial statements for Derby Homes Limited can be obtained from the Secretary, Derby Homes Limited, 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 2013 (Continued)

16 Related Party Undertaking

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

Four Board members are also tenants of the council and have a standard tenanc agreement and are required to fulfil the same obligations and receive the sam benefit as other tenants. One board member holds a leasehold contract with th council and enjoys the same benefit as other leaseholders with the sam agreement and fulfils the same obligations as other leaseholders. There are n significant rental arrears to report in relation to these tenants or leaseholder as a year end.

17 Accommodation in Management and Development

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

	2013	2012
Social Housing		
General needs housing – social	**11,915**	11,985
General needs housing – affordable	**-**	-
Supported housing and housing for older people	**1,654**	1,654
Total Social Housing	**13,569**	13,639
Non Social Housing		
Market rent	**14**	14
Other shared equity	**-**	-
Total non Social Housing	**14**	14
Total owned and managed	**13,583**	13,653

Included in the above table are 10 (2012:10) owned properties let as general needs housing – social and 5 (2012:5) owned properties let as non social housing at market rent.

All other properties are managed on behalf of other organisations:

	2013	2012
Derby City Council	**13,455**	13,525
Metropolitan Housing Ltd	**66**	66
Parkview Properties Derby Ltd	**9**	9
Lilian Prime Trust	**5**	5
The Guinness Trust	**33**	33

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You can now pay your rent, view your rent account, report a repair and more on Derby Homes website.

Go to www.derbyhomes.org to register

enquirycentre@derbyhomes.org
www.derbyhomes.org