

DERBY HOMES LIMITED

(A Company limited by guarantee)

Company No. 4380984

Report and Financial Statements

Year ended 31 March 2024

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Report and Financial Statements Year Ended 31 March 2024

Board Members, Executive Officers, Advisors and Bankers

Directors

I M MacDonald	appointed 28.02.02
M Ainsley	appointed 29.09.11
R G H MacDonald	appointed 27.11.14
J M Shepherd (Chair)	appointed 27.11.14
L H Care	appointed 23.05.18
J Layton Annable	appointed 28.11.19
C Bhurton	appointed 25.01.21; resigned 21.03.24
S Khan	appointed 26.05.21; resigned 09.06.23
J Mulhall	appointed 09.06.23
J Pearce	appointed 09.06.22; resigned 09.06.23
J Evans	appointed 09.06.23

Executive officers

M J Murphy
M Kirk
S Bennett
C Mehrbani

Secretary

M Kirk/ T Lallia

Registered Office

839 London Road
Derby
DE24 8UZ

Auditor

Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW

Bankers

Lloyds Bank
31-33 St Peters Street
Derby
DE1 2AA

Date of Incorporation

The company was incorporated in England on 25 February 2002 with trading commencing on 10 April 2002, and is a company limited by guarantee.

Legislative provisions under which Derby Homes is established

The Company is limited by guarantee and registered under the Companies Act 2006. It is a non-profit registered provider of social housing under the provisions of the Housing & Regeneration Act 2008.

Chair's Statement for the year ended 31 March 2024

Working in Partnership

This year has seen the further development and embedding of partnership working and "Team Derby". Primarily this has been with the City Council but also with other organisations such as health, police and charitable bodies. Financial pressures on the Council and the cost-of-living crisis have provided challenges for us all and it is only through partnership that we can continue to provide services for our customers and the people of Derby. We have to develop new ways of working so that we can do more with fewer resources.

Despite the challenges we have continued to provide an excellent service, with customer satisfaction still very high. We are also continuing to improve the quality of our housing stock through improved insulation which really helps tenants with the cost of energy.

Also, this year, social housing has been under greater scrutiny than ever. The regulator and Housing Ombudsman have become more active and new Tenant Satisfaction measures introduced. I am confident that Derby Homes is well placed to rise to these challenges and continue to provide an excellent service.

As ever, I would like to record my appreciation for the efforts of everyone at Derby Homes – Board Members, employees, tenants, leaseholders, and volunteers.

Jsan Shepherd, Chair of Derby Homes

Report of the Board of Management

Year ended 31 March 2024

The Board present their annual report and the audited financial statements for the year ended 31 March 2024.

Mission

Derby City Council and Derby Homes will continue to fulfil their mission to deliver 'High quality services for people, homes, and communities' with the support of their partners and tenants.

Principal Activities

The core business of Derby Homes is the management of and investment in, Derby City Council's social housing stock, comprising of 12,356 rented properties along with 63 shared ownership and other services as delegated by the Council in an agreement under s27 of the Housing Act 1985.

Derby Homes also directly provides services to 667 leaseholders of the Council and has agreements with external landlords to manage and maintain properties. These landlords are Guinness Northern Counties Housing Association and the War Memorial Village (Derby). Derby Homes also provides other services to the Council, including housing options, homelessness, and Derby Advice.

Derby Homes is a Registered Provider (RP) and Investment Partner (IP) with the Regulator of Social Housing (RSH) and has 158 properties for rent including 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.

Review of Business

2023/24 was another successful year for Derby Homes, especially considering the adapting to new ways of working considering the establishment of hybrid working. Tenant Satisfaction Measures were excellent. But like a number of housing providers, there is significant workload, regulatory and financial pressures on the responsive repairs service.

Financial performance 2023/24

Operational Deficit - £0.8m

The underlying operational deficit (which is net of loan interest and taxation but excluding pension fund impacts) of £0.8m set out on page 18 is in line with forecasts throughout the year. The board has a long-term aim for the underlying budget to be break even.

Formal accounting operational deficit – £1.3m

The operational deficit reported in the accounts is £1.308m (2023 – deficit of £4.453m) and is mainly due to employer pension charges to the Statement of Comprehensive Income (SOCi) being set much higher in the accounts (based on a one day snapshot) than the day to day employer pension fund contribution level of 16.4% used in the management accounts - resulting in additional costs of £0.551m (2023 - £4.8m additional costs) in the SOCi's operational deficit not included in the management accounts during the year.

Report of the Board of Management - year to 31 March 2024 continued

Balance Sheet – overall net asset of £21.4m

This area has reduced by £1m, from 2022/23, as a result of the operating deficit in the year. Derby Homes has fixed assets (mainly properties) of £12.9m, with £5.3m of long-term loans secured against the properties. The balance in net current assets of £13.9m funds the day-to-day operation of the business plus holds the funding for future plans that are to be funded from reserves.

The company pension scheme had a FRS102 valuation of £19.2m at year end. This “asset” is not recognised on the balance sheet in line with accounting standards as there is no realisable benefit and has therefore been valued at £nil.

Qualifying third party indemnity provisions

The company has no qualifying third-party indemnity provisions in place for the directors of Derby Homes Limited.

Value for Money (VfM) self-assessment

The Council and Derby Homes pride themselves on delivering good overall value for money. Rents remain good VfM and provide a significant direct social benefit, plus considerable additional ‘social value’ generated by the overall operation of Council housing in Derby. The rent charge is seen as value for money by 86% of tenants (2022/23: 93.5%). The Regulator of Social Housing (RSH) requires RPs to report key financial indicators as part of their VfM framework. These are set out in a later section.

Compliance with RSH Governance and Financial Viability Standard

Derby Homes considered its compliance with the RSH’s Governance and Viability standard at its meeting in July 2023 and passed the following resolution to say that “In its view, the Derby Homes Board complies with the RSH Governance & Viability standard”. The Board also stated that “in its view, Derby Homes Board complies with the NHF Code of Governance 2020”. The Board recognises two areas of non-compliance, with respect to its Board Membership due to our Constitution, and a second with respect to Board Members who leave the Board may not be re-appointed for three years. The Council has the right to appoint members on an annual basis. It would be possible for a member to leave the Board one year and return the next; whilst this has not happened, previously, it potentially could.

Going Concern

At its meeting on 25th July 2024, 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 signed a ten-year contract from April 2022 with Derby City Council to pay management fees in return for delivery of housing management and maintenance services, as prescribed in the new Partnership Agreement.

Report of the Board of Management - year to 31 March 2024 continued

The Council recognises that, following the formal accounting standards applicable, the Company is reporting a £nil pension balance as at 31 March 2024, the pension fund has changed from a deficit of £30.9m in 2021/22 to an unrecognised surplus of £19.222m in 2023/24 (£9.2m 2022/23). It was a £40.2m deficit at March 2021, which demonstrates the volatility that the pension scheme valuation has. The Council as shareholder, however, has consistently undertaken to provide continuing support to enable the financial statements of Derby Homes to be prepared on a going concern basis, including the underwriting of any pension scheme deficit. This support is expressed through a letter of representation received from the Council's Section 151 officer each year.

The Government's intervention to the 2023/24 rent standard materially impacted on the Council's HRA business plan. Consequently, the council has revised its new build plans, decarbonisation funding and has provisionally allocated a £1.4m reduction management fee spread over five years from 2023/24. For 2024/25 £365,000 has been incorporated as a pressure with discussions ongoing with the council on the level of any future savings required in future years.

We are awaiting the Governments rent standard from 2026/27, which will obviously have a material impact on the financial viability of the Council's HRA business plan and the future management fee to Derby Homes.

Assessment of the effectiveness of internal control

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. It 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 – reviewed and updated in 2020
- 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 reporting.

Derby Homes is a partner in the Central Midlands Audit Partnership (CMAP) which provides internal audit to several public sector bodies. Their work is based on their independent risk assessment combined with our own risk register.

Report of the Board of Management - year to 31 March 2024 continued

The Head of Audit and Risk Management reports the results of internal audit work to the Audit Committee. CMAP also provides an independent opinion on the adequacy and effectiveness of the system of internal financial control, which is informed by the work of Derby Homes' managers, CMAP and external auditors.

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.

Employment Policies

Employment of Disabled Employees

- **Recruitment & Training**

Derby Homes operates a recruitment scheme where candidates with disabilities can request an automatic interview if they meet the essential criteria for the post. In addition, candidates with disabilities are invited to advise on the adjustments they may need to ensure that they can fully participate in the selection process.

Derby Homes offers a wide range of job-related training to all employees. They work with employees with disabilities to identify what adjustment and support they require to enable them to undertake their job role.

- **Employees becoming disabled during employment**

There is a comprehensive support process in place for any employee who may enter a period of ill health or develop a condition which may be covered by the Equalities Act 2010. We ensure that employees have access to proper medical advice from Occupational Health and that as the employer we have a proper understanding of what support is necessary to help an employee sustain their employment.

Employee Involvement

- **Communication with employees**

Derby Homes Limited 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. Communication with all employees continues through the intranet, team meetings and employee briefings.

- **Consultation with employees**

Derby Homes has a formal system of collective bargaining and recognise two trade unions for consultation and negotiation. Formal meetings are held, and minutes of these meetings are made available to all employees.

Report of the Board of Management - year to 31 March 2024 continued

- **Employee Volunteering Scheme**

Derby Homes has an employee volunteering scheme as part of their commitment to corporate social responsibility and in recognition of the benefits of the employees, the organisation and local voluntary, charity, and faith sectors. All employees are encouraged to participate in a day's volunteering each year, without affecting annual leave entitlements.

- **Equalities**

In addition to our statutory duties Derby Homes operates an Equalities Forum, led by a Board champion. This group consists of several employees - volunteers from teams across the organisation who have shown an interest in equalities - their brief is to provide feedback to the Executive Team on key issues. The Forum also report key issues to the Board of Derby Homes. They can also propose new initiatives and events to encourage awareness and employee involvement. The company is committed to the creation of a happy and productive work environment that values and encourages all employee contributions.

- **Employee awareness on the financial and economic factors affecting the performance of Derby Homes**

Over the year there are usually two or three full company briefings, these currently online. We usually include an annual update on the current financial position of Derby Homes, its main objectives, its relationship with Derby City Council and wider sector issues like decarbonisation, new build plans and homelessness which naturally dictate future service delivery plans and budgets.

Statement by the directors in performance of their statutory duties in accordance with S172(1) Companies Act 2006

Further information about how the directors have engaged with employees, how they have had regard to employee interest, and the effect of that regard can be found in the Strategic Report. A summary of how the directors have had regard to the need to foster the company's business relationship with suppliers, customers and others, and the effect of that regard can also be found in the Strategic Report.

Report of the Board of Management - year to 31 March 2024 continued

Board members' responsibilities

The board members are the Directors of the company and are responsible for preparing the Strategic Report, the Report of the Board of Management, and the financial statements in accordance with applicable law and regulations.

Company law and social housing legislation require the board members to prepare financial statements for each financial year 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 board members 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 2018 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 board members 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 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. 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 board members are responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

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. The maintenance and integrity of the company's website is the responsibility of the board members. The board members' responsibility also extends to the on-going integrity of the financial statements contained therein.

Report of the Board of Management - year to 31 March 2024 continued

Emissions and Energy Consumption

During the year, in the delivery of the service, Derby Homes consumed an estimated 1,142 carbon tonnages and 3,726,622 kwh in gas and electricity. This is detailed in the table below:

Type of resource	2023/24	2023/24	2022/23	2022/23
	Carbon tonnage	KWH	Carbon tonnage	KWH
Diesel used in van fleet	545	-	536	-
Fuel used for business mileage in employees' own cars	34	-	38	-
Gas used in offices and common rooms	375	2,085,241	309	1,713,950
Electricity used in offices and common rooms	184	1,641,381	104	1,225,833
Water used in offices and common rooms	4	-	6	-
	1,142	3,726,622	993	2,939,783
Total properties – owned and managed in year	13,244	13,244	13,307	13,307
Carbon tonnes consumed per 1,000 properties owned and managed	86		75	
KWH consumed per 1,000 properties owned and managed		280,050		220,920

For electricity the carbon tonnage figure is as reported on electricity invoices. Derby Homes intends to switch to a green energy tariff in 2024/25 which will eventually result in a zero-carbon emission for this resource.

For all other resources, the calculation is based on the methodology prescribed in the Government document issued by the Department for Business, Energy and Industrial Strategy and the Department for Environment, Food & Rural Affairs.

During the year, Derby Homes completed review into the viability of replacing some / all its diesel van fleet with electric vans when each van is next renewed. Following this review, the board have agreed to defer the purchase of electric vans, on scale, until assurance of their operational capabilities can be attained. Consequently, van purchases over the next few years will be petrol/diesel.

Derby Homes will continue to monitor and look to minimise these emissions and energy consumptions, where practical, within the delivery of the Environmental Policy.

Report of the Board of Management - year to 31 March 2024 continued

Financial Instruments Risks

The company is in the fortunate position that it holds reasonable cash reserves. These are deposited in a combination of very short-term access deposit accounts and the main bank current account. Consequently, the liquidity risk is negligible.

Virtually all of the company's income comes from services provided to its owner, Derby City Council. Both organisations share the same banking arrangements (with Lloyds Bank) and cashflow between the two organisations is managed to ensure that overall cash holdings are in line with each organisation's Treasury Management policy. Any cashflow risk can be managed by amending timings of payments to and from each organisation as required.

The company is not exposed to any currency exchange risk. All activities are UK based and accounted for in pounds sterling.

The company is not exposed to any material market risks. Virtually all activities are on behalf of its owner. Derby Homes and Derby City Council signed a new 10-year Partnership Agreement (to 2032) in Spring 2022.

The company is not subject to any risk of credit availability, nor actively seeks any extended credit facilities with suppliers and contractors. On the contrary, the Company adopts a prompt payment approach and has adequate liquidity to do this.

Post Balance Sheet Events

There are no events to note.

Auditors

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)).

Crowe UK has expressed their willingness to continue as external auditors and have been reappointed by the Board. A resolution for the re-appointment of Crowe UK as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Chair



Date 25.7.24

Strategic Report for the year ended 31 March 2024

Under s172 of the Companies Act 2006, Derby Homes has a duty to promote the success of the company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in S172(1)(a-f) of the Act:

- Maintaining a high standard of business conduct.
- Acting fairly between the members of the business.
- The interests of employees.
- Fostering business relationships with suppliers, customers, and others.
- The impact of operations on the community and the environment.
- The likely consequence of any decision in the long term.

The Board considers the key stakeholders to be:

- Its customers – tenants, leaseholders, other landlords and the public.
- Derby City Council – not just as the owner, but as a partner in providing aligned services for Derby.
- Its employees – who are integral to the successful delivery of services.

The Board also needs to address the following:

- The issues, factors, and stakeholders the directors consider relevant in complying with the above and how we have formed that opinion.
- The methods the directors have used to engage with stakeholders and understand the issues to which they must have regard.
- The effect of that regard on the company's decisions and strategies during the year.

Derby Homes' s172 statement

Derby Homes' central role is to deliver its mission statement and strategic objectives.

Derby Homes' mission statement is:

High quality services for people, homes, and communities

Derby Homes' strategic objectives 1-6 are linked to the Council objectives to ensure there is consistency of purpose. An additional objective around compliance with the new consumer standards and regulatory responsibilities is also added, noting the importance we place on this area.

1. Green City - Quality homes and contributing to sustainable communities
2. City Of Growth - Service that puts customers first
3. Vibrant City - Reimagining our City Centre with Culture at its heart
4. Resilient City- Reducing homelessness and enabling access to Affordable Housing
5. Working Smarter- Value for Money is a consideration in everything we do
6. Consumer Standards and Regulation compliance

Strategic Report - Derby Homes' s172 statement - continued

As a 100% owned subsidiary company of Derby City Council, our primary objective is to deliver our core services – managing, maintaining, and delivering additional affordable rented homes. Working on behalf of the Council, delivering landlord functions to thousands of tenants and leaseholders, and delivering statutory homeless duties.

In delivering these services, the Board must balance the interests of the Council, tenants, prospective tenants, the homeless and our employees. Our approach to this is to deliver a good service at a reasonable rent to the tenants of the Council and ourselves. The rents charged are regulated by the Regulator of Social Housing (RSH) and are limited to the formulas set out by them to ensure fair rents.

In order to maintain a sustainable business plan and to enable an expansion of our own stock, we control our cost base as can be seen in our Value for Money strategy and statements.

Environmental and safety standards are central elements of our operations – for example when Derby Homes build new properties on behalf of the Council, these are to thermal efficiency levels above current building regulation standards, helping towards obligations around net carbon zero. Alongside the Council, we completed significant energy efficiency upgrades to 70 cast iron properties in Allenton, using government funding to help to meet those costs. A further 70 are planned in 2024/25.

We consider the interests of our employees who benefit from stable employment prospects and a defined benefit pension scheme which allows employees to plan for their future. We undertake staff surveys and operate forums for Health and Safety and Equalities to ensure that views are considered. We formally recognise two Trade Unions and meet regularly with them.

Our detailed approach to meeting our objectives is set out in our Delivery Plan which is approved each year by the Council. The latest plan can be found on our website.

The executive officers and the Chair meet regularly with the Council to discuss various matters relating to our services including funding, policies, and strategies across the whole housing service and where Derby Homes can add value to the Council. Discussion of the long-term ability to finance new homes, deal with homelessness and sustain a good level of service and fair rents for existing Council tenants also feature in such discussions and meetings.

Strategic Report - Derby Homes' s172 statement - continued

The Board is supporting the Council to meet statutory duties introduced in the Homeless Reduction Act 2017. The Council has allocated grant resources to Derby Homes, and we have added over £1m a year of our own resources to that funding and worked with community partners in the voluntary and public sectors to deliver additional services to reduce rough sleeping. This reflects our approach to working collaboratively with the community to deliver services for the benefit of those that need our help. We also regularly support other community projects with the support of other parties, volunteers, and the Council.

Funding levels, staffing resources, support from the Council, opportunities to deliver new homes whether for the Council or in our own right and national policies with respect to Council and other affordable housing all influence the direction the company takes and our decisions.

Housing is a long-term asset that needs to be maintained properly and as such requires a long-term approach to many decisions. The Council's own plans for Council housing are set out over 30 years and this shows an intention to invest as much as is sustainable into new affordable housing. Our own plans reflect the income that we expect from that plan and translate that into practical choices for new homes as well as sustaining and improving the current stock of property so that it can be sustained into the future.

We are proud to be a Registered Provider of Social Housing and to follow the good governance rules set out in the National Housing Federation's Code of Governance 2020 as explained in full in reports to the Board.

The Board consists of a third each of Councillors, Tenants and Independents allowing for a balance of views and for tenant input into key decisions. Our Operational Board consisting of a majority of tenants monitors performance and makes decisions on operational matters of concern to tenants. We also support the Derby Association of Community Partners (DACP) which is a residents' group who influence our decisions, along with our Customer Voice who look at specific areas of operation and make recommendations for change.

Strategic Report - Derby Homes' s172 statement - continued

This year, we have:

- Worked in partnership with Action Housing on a supported housing programme targeted at homeless people who are excluded from the housing register.
- “Homes for Me” project, targeted at entrenched street homeless people.
- Continued operation of Safe Space to provide basic shelter and support to those unable to access accommodation and remain rough sleeping.
- Support for those at risk of rough sleeping during the winter months through our Severe Weather Programme that provided shelter irrespective of eligibility for assistance under the Homeless Reduction Act 2017.
- Expansion of Private Rented Sector Initiative, including a promotional campaign targeting those impacted by the coronavirus pandemic.
- Increase in temporary accommodation units and made available accommodation for those homeless.
- Continued rough sleeping in reach and outreach service, to engage rough sleepers without the need for them to use traditional entry routes to services.
- Assisted the Council by delivering homes for Care Leavers to live independently. There are now 10 properties on the scheme.
- Continued to support the Council’s drive to use Right to Buy receipts to acquire new homes, refurbishing them into good quality affordable rented properties.
- With support from the Council, started to acquire a number of Section 106 properties to be owned by Derby Homes. Sites have been identified for 2024/25 also.
- Developed cross partnership working to provide accommodation for services delivered by a range of organisations, to bring services closer to the community, for example:
 - Citizens Advice Bureau use multiple community rooms for services such as carers outreach sessions, wellbeing services, alongside immigration support services, first aid training and team meetings/workshops.
 - Various rooms are used by local GP surgeries for Patient Participation Groups, allowing patients to raise concerns and be involved in consultations etc.
 - Various NHS community outreach clinics/workshops ranging from physiotherapy, occupational therapy assessments and older adults’ mental health teams.
 - DCC Social Care teams- such as parenting programmes with Children’s Multi-Agency Team (MAT).

Strategic Report - Derby Homes' s172 statement - continued

- Listened to our tenants:
 - Derby Homes welcomes and actively promotes customer feedback, capturing and promoting this message through our strapline “listening to you, learning from you”, promoted across all our feedback channels.
 - Feedback is collected in both quantitative and qualitative forms and in a variety of ways such as:
 - ✓ Surveys.
 - ✓ Door Knock large scale engagement programme.
 - ✓ Customer Survey.
 - ✓ Service Specific Surveys.
 - ✓ Consultations – ‘Your service, your say’.
 - ✓ Complaints.
 - ✓ Open sessions – ‘Walk in Wednesdays’.
 - ✓ Focus groups.
 - ✓ Customer Scrutiny Panel – ‘Customer Voice’.
 - ✓ Tenant led Operational Board.
 - ✓ Tenant membership on Board.
 - We encourage further feedback from our customers by frequently demonstrating that we have listened and acted on their feedback through various media channels. We advertise and promote all feedback mechanisms through publication of Derby Homes news, the website, and social media channels. We regularly published articles in Derby Homes News inviting residents to come and discuss services and performance as well as listen and respond to feedback through social media platforms in a timely and informative manner.

One of our key objectives is to deliver additional homes available at affordable rents in Derby as part of the Council’s drive to support affordable housing development in Derby. To do that, we work with the Council to deliver new homes directly for the Council, but also on our own balance sheet. This requires a long-term approach, especially when analysing individual proposals for investment in homes. The delivery of as many homes as possible towards the Council’s targets must be balanced against retaining a prudent long term overall financial position for both Derby Homes and the Council.

Strategic Report - Derby Homes' s172 statement - continued

Previous and current financial performance

The current year financial performance is in line with expectations and is consistent with our future financial plans, which budget for an underlying breakeven on the core budget. Any investments in one off revenue related projects being funded from the General Reserve, as listed on page 44.

Previous operational surpluses/(deficit) (excluding pension fund impacts) have been:

Derby Homes Key figures	Actual £'000 20/21	Actual £'000 21/22	Actual £'000 22/23	Actual £'000 23/24	Budget £'000 24/25
Turnover £m	45.2	47.9	57.5	61.9	53.9
Operational Surplus / (Deficit) £m (management accounts basis)	2.6	(0.3)	0.4	(0.8)	(0.0)
Surplus / (Deficit) % Turnover	5.8	(0.6)	0.6	(1.3)	0.0
Council Homes managed (excluding Shared Ownership & Leasehold)	12,659	12,539	12,364	12,356	12,356
Derby Homes properties owned	107	116	124	158	158
Reserves £m exc LGPS	20.0	22.0	22.4	21.1	21.1
Reserves £m inc LGPS	-20.1	-8.8	22.4	21.1	21.1

The overall level of reserves, including any pension scheme deficit is underwritten by the Council from its Housing Revenue Account. The Partnership Agreement includes a requirement for any changes in the employer pension contribution to be reflected in our management fee income. At the last actuarial review in March 2022 the funding position of the Derby Homes pension scheme was assessed at 103%.

The cash flow position remains very positive and able to withstand reasonable stress testing. The Council has indicated its willingness to extend loan facilities to Derby Homes when required.

Strategic Report - Derby Homes' s172 statement - continued

Development and performance during the financial year and financial position at the year end

The statement of comprehensive income for the year is set out on page 34. Following the processing of pension fund transactions, the business returned a deficit after taxation for the year of £1.028m. This was after a charge of £0.111m which arose from accounting adjustments for pensions (split £0.551m FRS102 adjustments plus (£0.440m) net interest on pensions), a further £0.147m relating to interest payable on loans from the Council and a taxation charge of £0.124m.

	£'000	£'000
Management account operating deficit		(757)
FRS 102 adjustments:		
Employer pension contributions paid in year	2,992	
Less current service costs	<u>(3,543)</u>	<u>(551)</u>
Operating deficit		(1,308)
Less other interest payable		(147)
Less net interest on pensions		<u>440</u>
Deficit before taxation		(1,015)
Less taxation		<u>(124)</u>
Deficit for the year		(1,139)
Actuarial gain on defined benefit obligations – pension scheme		<u>111</u>
Total comprehensive Deficit for the year		<u>(1,028)</u>

Financial performance – after pension factors are removed – continues to be satisfactory.

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 £12.9m and £21.4m. Fixed assets should rise further as the housing stock increases in line with the growth expected over the next few years. On all housing schemes, we discuss with the Council which organisation is most appropriate for the properties to be owned by. Over the past few years, the majority of new properties have been in the Councils HRA, in order to utilise Right to Buy funding receipts. Derby Homes have sufficient reserves available to acquire properties as required (such as section 106 opportunities and strategically aligned properties). The debt associated with this strategy remains affordable.

Strategic Report - Derby Homes' s172 statement - continued

Operational Performance

From 1 April 2023, new legislation from the Regulator of Social Housing (RSH) saw an introduction of new measures to report to the regulator. The RSH have introduced revised consumer standards which involve a set of Tenant Satisfaction Measures (TSM) that social housing landlords must report to the RSH annually.

Overall, Derby Homes are happy with the end of year position for the TSM's. From reviewing the mid-year benchmarking position, Derby Homes are achieving above upper quartiles for all the tenant perception results (TP01-12). Similarly with the managed by landlord results, the mid-year comparisons are all positive, except for RP02 (Repairs timescales for non-emergency). We believe this could be due to a difference with how organisations are reporting the figure, but we do recognise that there are difficulties within the responsive repairs service around the time taken on non-emergency repairs.

The below table shows the TSM results for 2023/24 – this is based on surveys undertaken with over 1,800 tenants.

Measure	Description	Final result
TP01	Proportion of respondents who report that they are satisfied with the overall service from their landlord.	86.3%
TP02	Proportion of respondents who have received a repair in the last 12 months who report that they are satisfied with the overall repairs service.	82.87%
TP03	Proportion of respondents who have received a repair in the last 12 months who report that they are satisfied with the time taken to complete their most recent repair.	79.93%
TP04	Proportion of respondents who report that they are satisfied that their home is well maintained.	84.54%
TP05	Proportion of respondents who report that they are satisfied that their home is safe.	85.92%
TP06	Proportion of respondents who report that they are satisfied that their landlord listens to tenant views and acts upon them.	74.92%
TP07	Proportion of respondents who report that they are satisfied that their landlord keeps them informed about things that matter to them.	82.64%
TP08	Proportion of respondents who report that they agree their landlord treats them fairly and with respect.	90.36%
TP09	Proportion of respondents who report making a complaint in the last 12 months who are satisfied with their landlord's approach to complaints handling.	51.17%
TP10	Proportion of respondents with communal areas who report that they are satisfied that their landlord keeps communal areas clean and well maintained.	80.29%

Measure	Description	Final result
TP11	Proportion of respondents who report that they are satisfied that their landlord makes a positive contribution to the neighbourhood.	77.31%
TP12	Proportion of respondents who report that they are satisfied with their landlord's approach to handling anti-social behaviour.	69.95%
BS01	Proportion of homes for which all required gas safety checks have been carried out.	99.84%
BS02	Proportion of homes for which all required fire risk assessments have been carried out.	99.87%
BS03	Proportion of homes for which all required asbestos management surveys or re- inspections have been carried out.	100%
BS04	Proportion of homes for which all required legionella risk assessments have been carried out.	100%
BS05	Proportion of homes for which all required communal passenger lift safety checks have been carried out.	100%
NM01 (1)	Number of anti-social behaviour cases, opened per 1,000 homes.	71.69
NM01 (2)	Number of anti-social behaviour cases that involve hate incidents opened per 1,000 homes.	1.51
RP01	Proportion of homes that do not meet the Decent Homes Standard.	0.58%
RP02 (1)	Proportion of non-emergency responsive repairs completed within the landlord's target timescale.	75.52%
RP02 (2)	Proportion of emergency responsive repairs completed within the landlord's target timescale.	96.18%
CH01 (1)	Number of stage one complaints received per 1,000 homes.	39.39
CH01 (2)	Number of stage two complaints received per 1,000 homes.	4.96
CH02 (1)	Proportion of stage one complaints responded to within the Housing Ombudsman's Complaint Handling Code timescales.	97.36%
CH02 (2)	Proportion of stage two complaints responded to within the Housing Ombudsman's Complaint Handling Code timescales.	93.55%

Additionally, Derby Homes are fully compliant with the Housing Ombudsman's Complaint Handling Code which applies from 1 April 2024.

Strategic Report - Derby Homes' s172 statement - continued

Awards

RoSPA Award

RoSPA Order of Distinction (18 consecutive Golds) Award for health and safety performance during the period of January 01, 2023, to December 31, 2023.

Press Awards

Building Communities Awards 2024

Winners - Best Carbon Reduction Project of the year

Runner-up - Collaborative working category

Finalist - Best use of an EEM charitable donation

Finalist - Refurbishment Project of the Year

Derbyshire & Nottinghamshire Apprenticeship Awards (October 2023)

Winner - Holly Johnson - Degree Apprentice

Winner - Avikaash Manon - Construction Apprentice of the Year

Housing Heroes Awards (June 2023)

Electrician Joe Johnson was shortlisted in the "Outstanding achievement by apprentices" category.

Accreditations

Our ASB service is Housemark accredited.

Derby Advice is regulated by the Financial Conduct Authority.

Volunteering

Derby Homes works alongside Community Action Derby - the largest Volunteer Centre in Derby - to offer support to volunteers and develop opportunities.

For Derby Homes, our scrutiny groups such as Customer Voice and Ignite and Connect (Youth Panel) have continued to support our services.

Principal risks and uncertainties

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.

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 and allocates responsibility and monitoring roles within the organisation.

Strategic Report - Derby Homes' s172 statement - continued

Each risk is reviewed regularly and scrutinised by the Audit Committee and approved by the Board.

The principal uncertainties currently facing Derby Homes include (like a number of other housing providers):

- increased responsive repair maintenance cost.
- regulatory compliance costs and fees.

Derby Homes continues to work alongside the Council to:

- mitigate the housing shortage in the city and the number of people in need of housing.
- to mitigate pressures on the Housing Revenue Account as a result of a number of rent increase curtailments.

The Board and Senior Management Team, working alongside Derby City Council, acknowledge that Derby Homes have these uncertainties. Derby Homes is in a good financial position to help manage these risks, as detailed in the Going Concern note.

Financial and non-financial key performance indicators

Derby Homes has had another successful year as demonstrated in the tenant satisfaction measures, however like other housing providers cost pressures on the responsive repairs service is a challenge.

Governance

The Board of Derby Homes Limited consists of 9 voluntary members. There are 3 tenants, 3 Councillors and 3 independent members. The makeup of the Board and their term of office are determined by Derby Homes Limited's 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. 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.

Strategic Report - Derby Homes' s172 statement - continued

The Board meets bi-monthly. Copies of the agenda for each meeting are published a week in advance and are available for public inspection. 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, with agendas and reports.

The Company Governance Arrangements include:

- The Memorandum and Articles of Association.
- Partnership agreement between the Council and Derby Homes.
- 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.

The Board delegates some decision making to the following Board / Committee:

- Operational Board – with a majority of tenants.
- Audit Committee.
- Governance Committee.

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

The Audit 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 Audit Committee is to:

- Monitor the integrity of financial statements of the Company.
- Review the Company's internal control and risk management systems.
- Monitor and review the effectiveness of the Company's internal audit function.

Strategic Report - Derby Homes' s172 statement - continued

Modern Slavery Act 2015

In line with this act, Derby Homes Board has adopted a policy on Modern Slavery. It states that we will not – nor expect our contractors to – tolerate any arrangements that involve any business practices that might be seen as modern slavery. Where we know about such activity, we will take whatever action is necessary to eliminate it from any process in which we are involved. The full statement can be viewed on the Derby Homes website.

Persons of Significant Control

From April 2016, companies have been obligated to disclose any persons of significant control (PSCs) who actually control the organisation or whose views are normally followed by the Board.

Derby City Council is clearly a PSC for Derby Homes.

Value for money (VfM)

The Regulator of Social Housing (RSH) required that as a Registered Provider we include seven key financial metrics in this report. These are set out below. Derby Homes as an ALMO RP will look a little different in terms of results against 'standard' RPs as our business model is fundamentally different as we are mostly a manager (of Council housing) and therefore do not operate a standard RP landlord business model.

Metric 1 – Reinvestment %

Good = higher

	£m
7+ Development of new properties	2.893
+ Newly built properties acquired	-
+ Works to existing properties	-
+ Capitalised interest	-
+ Schemes completed	-
Total	2.893
Divided by	
+Tangible fixed assets: Housing properties at cost	12.567
+Tangible fixed assets: Housing properties at valuation	-
Total	12.567
Result	23.0%

This is a measure of capital investment in existing and new homes against the existing asset base value. During the year the housing stock increased by 34, to 158 reflecting investments in properties linked to specific initiatives.

Metric 2a: New Supply (Social Housing Units) %

Good = higher

	Units
+ Total social units developed or acquired in year	34
+ Social leasehold units acquired in year	0
Total	34
Divided by	
+ Total social housing units owned	153
+ Social leasehold units owned	0
Total	153
Result	22.22%

The 34 properties acquired in 2023/24 were used as follows – 32 properties were used for general needs and 2 properties were used on joint initiatives with the Council, for introductory tenancies for children leaving care.

Value for money (VfM) continued

Metric 2b: New Supply (Non - Social Housing Units) %

	Units
+ Total non - social units owned (acquired in year)	0
+ Non – social leasehold units owned (acquired in year)	0
+ New outright sale units developed or acquired	0
Total	0
Divided by	
+ Total social housing units owned	153
+ Total non-social rental housing units owned	5
+ Social leasehold units owned	0
+ Non-social leasehold units owned	0
Total	158
Result	0%

Metric 3 – Gearing % Good = lower

	£m
+ Short term loans	0.067
+ Long term loans	2.666
- Cash & cash equivalents	(5.888)
+ Amounts owed to group undertakings	2.071
+ Finance lease obligations	-
Total	(1.086)
Divided by	
+ Tangible fixed assets: Housing properties at cost	12.363
+ Tangible fixed assets: Housing properties at valuation	-
Total	12.363
Result	(9%)

This is a measure that looks odd as the company is currently at a stage of its General Reserve plans, where cash holdings are high. The General Reserve (and consequently cash) will reduce as General Reserve investment plans are realised. There will remain capacity for further borrowing if the need arises, but in the short-term new properties will initially be financed through cash, saving on loan interest costs.

Value for money (VfM) continued

Metric 4 – Earnings before interest, tax, depreciation, amortisation, major repairs (EBITDA) Interest Cover % Good = higher

	£m	£m exc LGPS
+ Operating (deficit) / surplus	(1.028)	(0.855)
-Amortised grants	0.038	0.038
-Government grants taken to income	-	-
+ Interest receivable	-	-
-Capitalised major repairs expenditure for the period	-	-
+ Total depreciation charge for period	0.365	0.365
Total	(0.625)	(0.452)
Divided by		
+ Interest capitalised	-	-
+ Interest payable and financing costs	0.147	0.147
Total	0.147	0.147
Result	-425%	-325%

This result is another that looks strange as it includes all the operating deficit (derived mainly from management and maintenance of Council housing), plus pension adjustments against the interest payable on loans on a small number of homes. Excluding the volatile pension fund adjustments strengthens the ratio and is more representative of the underlying position. The annual level of loan interest is budgeted for in the company's underlying balance budget plans.

Metric 5 – headline social housing cost per unit

Good = lower

Management costs

+service charge costs

+planned maintenance costs

+capitalised major repairs expenditure

+development services

+ other social housing activities

+routine maintenance costs

+major repairs expenditure

+other costs of social housing letting

+community /neighbourhood services

+ other charges for support services

= all housing costs

For Derby Homes, this is calculated by deducting the "Activities other than Social Housing" costs of £8.680m and depreciation of £0.365m from total Operating Costs of £63.244m = £54.199m.

Divided by

Total social housing units owned or managed = 13,331

Result = £4,066

It indicates that our overall costs are £4,066 per property (or £78 a week). It should be noted that some costs are excluded from our costs (e.g., some major works on Council housing where costs are directly incurred by the Council and not through Derby Homes).

Value for money (VfM) continued

Metric 6a – Operating Margin (social housing lettings) %

Good = higher

	£'000
+ Operating surplus (social housing lettings)	169
Divided by	
+ Turnover from social housing lettings	824
Result	21%

Metric 6b: Operating Margin (Overall) %

	£m	Exc LGPS £m
+ Operating (deficit) / surplus	(1.028)	(0.855)
- Gain / (loss) on disposal of fixed assets (housing)	0	0
Total	(1.028)	(0.855)
Divided by		
Turnover (overall)	61.936	61.936
Result	-1.66%	-1.38%

Measure A shows that the Board is now making a significant but normal level of operational surplus on its own properties – this is partly due to the nature of low repair costs in the early years but also because this measure excludes the cost of borrowing. The position is a small surplus once interest charges are deducted.

Measure B shows the overall formal operational deficit inclusive of additional pension fund charges for the year – an alternative measure excluding those is also shown and indicates a more reasonable assessment of the current position. The comparator here does not work as Derby Homes is mainly a managing agent for the Council stock and works at a very low margin on that work rather than at a 'standard' 18% or so for 'normal' RP lettings.

Metric 7: Return on Capital Employed (ROCE)

	£m	Exc LGPS £m
Operating (deficit) / surplus	(1.028)	(0.855)
Share of operating surplus / (deficit) in joint ventures or associates	-	-
Total	(1.028)	(0.855)
Divided by		
Total assets less current liabilities	26.716	26.716
Result	-3.8%	-3.2%

ROCE also makes little sense for our business model where our income stems mainly from management of the Council's properties rather than our own.

The RSH also requires Providers to report on VfM performance against its internal VfM targets. Derby Homes takes part in the annual Housemark benchmarking exercise, comparing its performance and VfM with 40 other Landlords that own / manage between 10,000 and 15,000 properties.

Key Points to note in the Housemark 2022-23 report are:

- Tenant satisfaction KPI's are excellent, with six out of seven in the top quartile.
- Overall operational housing management performance was rated "Good Performance – High Cost". Costs are higher because of the investment in staffing numbers across a range of more specialist housing management areas (such as ASB, rent arrears, resident involvement etc). Derby Homes has the highest employee resources in the peer group (at 8.46 employees per 1,000 properties, compared to a median of 6.71).
- The overall maintenance performance was rated "Good Performance – Low Cost". This includes responsive repairs and voids cost per property and cyclical maintenance and major works cost per property.
- Overall costs per property for housing management, responsive repairs and voids, and major works and cyclical maintenance are all below the median and within the top two quartiles for the peer group.
- Overhead costs per property overall are comparative with the median, the breakdown shows that finance, HR and central overhead costs per property are lower than the median.

The Housemark results are considered by the tenants Operational Board and the Main Board annually. Overall, the Board is satisfied that Value for Money is being achieved and where costs are above sector norms (such as Housing Management), this is a specific rationale for this around targeting continued high performance ratings.

Summary

The Board is satisfied with the financial and operational performance of the Company during 2023/24.

Approval

This Strategic Report was approved by order of the Board.

J Shepherd
Chair



M Kirk
Secretary



25 July 2024

25 July 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DERBY HOMES

Opinion

We have audited the financial statements of Derby Homes Limited for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity, the Cashflow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its surplus or deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Director for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the entity and company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Financial Reporting Standard 102 (FRS 102), the Housing and Regeneration Act 2008, the Housing SORP, Accounting Direction for Private Registered Providers of Social Housing 2022 and also the Companies Act 2006. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the entity's and the company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the entity and the company for fraud. The laws and regulations we considered in this context for operations were other requirements imposed by the Regulator of Social Housing, health and safety, taxation and employment legislation.

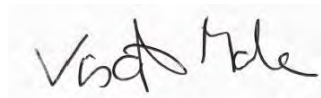
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DERBY HOMES CONTD

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of non-social housing income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and those charged with governance of any known or suspected instances of fraud, review of internal audit reports, review of risk registers maintained by Derby Homes, sample testing on the posting of journals, review of accounting estimates for consistent application, reasonable and any biases, review of correspondence with regulatory bodies, reading minutes of meetings of those charged with governance and designing audit procedures over the timing of non-social housing income.

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Vincent Marke
Partner, Social Purpose and non-profits
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
55 Ludgate Hill
London
EC4M 7JW

Date: 26 July 2024

Statement of Comprehensive Income Year Ended 31 March 2024

	Notes	2024 £'000	2023 £'000
Turnover	2	61,936	57,470
Operating costs	2	(63,244)	(61,923)
Operating Deficit	4	(1,308)	(4,453)
Interest payable and similar charges	6	(147)	(151)
Pension finance costs	6	440	(916)
Deficit before taxation		(1,015)	(5,520)
Taxation	7	(124)	(30)
Deficit for the year		(1,139)	(5,550)
Other comprehensive income for the year			
Actuarial gain on defined benefit obligations – pension scheme	8	111	36,775
Total comprehensive (loss) / gain for the year		(1,028)	31,225

The notes on pages 38 – 61 form part of these financial statements.

Balance Sheet At 31 March 2024

	Notes	2024 £'000	2023 £'000
Fixed assets			
Housing Properties			
Cost less depreciation		<u>12,567</u>	<u>9,904</u>
Tangible Fixed Assets - Housing		12,567	9,904
Tangible fixed assets - Other		<u>290</u>	<u>474</u>
	9	<u>12,857</u>	<u>10,378</u>
Current assets			
Debtors	11	14,426	13,346
Stock and Work in Progress	12	2,165	1,455
Bank and cash		<u>5,888</u>	<u>11,135</u>
		22,479	25,936
Creditors: amounts falling due within one year	13	(8,620)	(9,043)
Net current assets		<u>13,859</u>	<u>16,893</u>
Creditors: amounts falling due after one year	14	<u>(5,342)</u>	<u>(4,867)</u>
Net assets before pension reserve		21,374	22,404
Defined benefit pension reserve	8	-	-
Net assets after pension reserve		<u><u>21,374</u></u>	<u><u>22,404</u></u>
Reserves			
Defined benefit pension reserve		-	-
Revenue reserve		<u>21,374</u>	<u>22,404</u>
Total funds		<u><u>21,374</u></u>	<u><u>22,404</u></u>

These financial statements were authorised and approved by the Board of Directors on 25th July 2024 Signed and dated on behalf of the Board of Directors:

J Shepherd
Chair
25 July 2024



M Kirk
Secretary
25 July 2024

The notes on pages 38 - 61 form part of these financial statements.

Statement of changes in equity at 31 March 2023

	Pension reserve £'000	General Reserve £'000	Total Reserves £'000
Balance at 1 April 2022	(30,857)	22,037	(8,820)
Comprehensive Income for the year			
(Deficit) for the year	-	(5,550)	(5,550)
Other comprehensive income for the year			
Actuarial gain on defined benefit pension scheme	36,775	-	36,775
	36,775	(5,550)	31,275
Employer Contributions	2,484	(2,484)	-
Total net current service costs of pension scheme	(7,486)	7,486	-
Total net interest cost on pension scheme	(916)	916	-
Rounding	-	(1)	(1)
Total comprehensive income for the year	30,857	367	31,274
Balance at 31 March 2023	-	22,404	22,404

Statement of changes in equity at 31 March 2024

	Pension reserve £'000	General Reserve £'000	Total Reserves £'000
Balance at 1 April 2023	-	22,404	22,404
Comprehensive Income for the year			
(Deficit) for the year	-	(1,139)	(1,139)
Other comprehensive income for the year			
Actuarial gain on defined benefit pension scheme	111	-	111
	111	(1,139)	(1,028)
Employer Contributions	2,992	(2,992)	-
Total net current service costs of pension scheme	(3,543)	3,543	-
Total net interest cost on pension scheme	440	(440)	-
Total comprehensive income for the year	-	(1,028)	1,028
Rounding	-	(2)	(2)
Balance at 31 March 2024	-	21,374	21,374

Cashflow Statement Year Ended 31 March 2024

	2024	2023
	£'000	£'000
Deficit for the year	(1,139)	(5,550)
Interest payable and similar charges	147	151
Pension finance costs	(440)	916
Taxation	124	30
Cash flows from operating activities deficit for the financial year	(1,308)	(4,453)
Adjustments for:		
Depreciation of fixed assets - housing properties	230	163
Depreciation of fixed assets – other	182	176
Amortised grant (in year)	(38)	(31)
Difference between net pension expense and cash contribution	551	4,998
Taxation charge	(124)	(30)
(Increase) / Decrease in trade and other debtors	(1,080)	459
(Increase) / Decrease in stocks & work in progress	(710)	209
Increase / (Decrease) in trade creditors	(1,793)	125
Increase in accruals & other creditors	1,360	1,653
Net cash used in operating activities	(2,730)	3,269
Cash flows from investing activities		
Purchase of fixed assets – housing properties	(2,894)	(2,291)
Purchases of fixed assets – other	-	(224)
Disposal of Vehicles	-	-
Receipt of Housing Grant	588	-
Net cash used in investing activities	(2,306)	(2,515)
Cash flows from financing activities		
Interest paid	(147)	(151)
Repayment of loans – Derby City Council	(64)	(61)
Net cash used in financing activities	(211)	(212)
Net increase cash and cash equivalents	(5,247)	542
Cash and cash equivalents at beginning of year	11,135	10,593
Cash and cash equivalents at end of year	5,888	11,135

Notes to the Financial Statements Year Ended 31 March 2024

1. Principal accounting policies

The Company is incorporated under the Companies Act and is registered with the Regulator of Social Housing 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.

Legal Status

The Company is limited by guarantee and registered under the Companies Act 2006. It is a non-profit registered provider of social housing under the provisions of the Housing & Regeneration Act 2008. The address of its registered office is 839 London Road, Derby, DE24 8UZ.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Housing and Regeneration Act 2008, Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP), "Accounting by registered social housing providers" 2018, the Accounting Direction for Private Registered Providers of Social Housing 2022 and the Companies Act 2006.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Derby City Council as at 31 March 2024 and these financial statements may be obtained from the address in note 16.

Going Concern

The financial statements have been prepared on a going concern basis.

The Company's balance sheet shows a net asset position after the inclusion of pensions assets required under FRS102. 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 gain this year. The pension scheme continues to be underwritten by Derby City Council.

Notes to the Financial Statements

Year Ended 31 March 2024

The Board on 25 January 2024, approved the operational budget for 2024/25 and in principle future year budgets through to 2026/27. The budgets do plan for an underlying breakeven position.

Following the governments intervention to the 2023/24 rent standard and the limiting of rent increases to 7%, this necessitated a proposed £1.4m saving in the Councils Housing Revenue Account, by reducing the Derby Homes management fee spread over 5 years. Derby Homes will need to make corresponding savings in its own budgets, in addition to funding operational budget pressures arising, such as responsive repairs and regulatory compliance costs.

Commitment from the owner, Derby City Council, is evidence by the signing of a 10-year Partnership Agreement to 2032.

With the assurance that the pension scheme is underwritten by the Council, plus the Balance Sheet remains fundamentally sound and has ample liquidity from the £5.88m cash at bank holding, the going concern position remains strong.

The Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on Derby Homes' ability to continue as a going concern for a period of at least 12 months from the date of these financial statements. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

Turnover

Turnover represents collectable rental income on Derby Homes own properties (i.e., rent debit less rent loss due to voids) and service charges. The bulk of the turnover is derived from a management fee and recharges of works to Derby City Council.

Operating Costs

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

Notes to the Financial Statements

Year Ended 31 March 2024

Overheads and Administrative Costs

These are allocated across operating cost headings based on staff time or other appropriate methods.

Tangible fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements.

Improvements are works to existing properties, and component replacements which have been treated separately for depreciation purposes, which result in an increase in net rental income, a reduction in future maintenance costs, or result in a significant extension of the economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised. Direct overhead costs comprise the costs of staff time, including salary costs and other incremental direct costs incurred in the developments from the date it is reasonably likely that the development will go ahead, to the date of practical completion.

Impairment

The Company's housing portfolio is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit the asset concerned. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. In the case of the Company's housing portfolio, the value in use is taken to be equal to the insurance reinstatement cost of the property concerned, which is management's assessment of the depreciated replacement cost of the asset.

Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

In the year ended 31 March 2024, no impairments were recognised.

Notes to the Financial Statements Year Ended 31 March 2024

Depreciation

Depreciation is provided on all assets based on the historical cost 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 2023/24	de minimis values – 2022/23
Housing Properties:			
Kitchens	Over 20 years	Nil	Nil
Bathrooms	Over 25 years	Nil	Nil
Boilers	Over 13 years	Nil	Nil
Heating system	Over 26 years	Nil	Nil
Roof	Over 60 years	Nil	Nil
Wiring	Over 40 years	Nil	Nil
Doors	Over 30 years	Nil	Nil
Windows	Over 30 years	Nil	Nil
Non-componentised	Over 80 years	Nil	Nil
Land	Not depreciated	-	-
Computer equipment	Over 3 years	£5,000	£5,000
Motor vehicles	Over 7 years	£5,000	£5,000
Plant & machinery	Over 5 years	£5,000	£5,000
Office equipment	Over 10 years	£5,000	£5,000

Where individual items are purchased at less than the above de Minimis values they will be written off to revenue. Any individual item above the de Minimis value will be capitalised and written off over the economic life on a straight-line basis with no residual income assumed.

Taxation including deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the country (England) where the Company operates and generates income.

Pension costs

The Company operates a defined benefit plan. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration.

Notes to the Financial Statements Year Ended 31 March 2024

Pension costs continued

The reserve position recognised in the balance sheet in respect of the defined benefit plan is the assessed present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets at the balance sheet date out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as Actuarial gain / (loss) on defined benefit obligations – pension scheme.

The cost of the defined benefit plan, recognised in the Statement of Comprehensive Income as employee costs except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments, and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Comprehensive Income as 'Pension finance 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 continues to use FRS102 – Section 28.

Notes to the Financial Statements Year Ended 31 March 2024

Stocks and Work in Progress

Stocks relate to materials held on van stocks at year end and are valued at the lower of cost or net realisable value. Work in Progress relates to ongoing new build / refurbishment works to properties and is valued at cost. Any impairment identified would immediately be recognised in the statement of consolidated income.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including loans, are measured at fair value, net of transaction costs.

Value Added Tax (VAT)

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

Government grants

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2018. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives).

Notes to the Financial Statements Year Ended 31 March 2024

Government Grant continued

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund (RCGF) until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account. Derby Homes has no RCGF at present as it has not sold any SHG funded properties. Grants due from government organisations or received in advance are included as current assets or liabilities.

Reserves

At 31 March 2024, there was a General Reserve of £21.4m, of which around £10.7m is classed as “usable” reserves. The £10.7m figure concentrates on those reserves that (given time), will result into cash reserves. It excludes certain assets held by the company which are unlikely to be converted into cash (such as houses, vans, stock) and prudently deducts all short-term liabilities and long-term loan finance. The Board intend to use this £10.7m over a number of years to fund a number of Derby Homes and Council objectives. The priorities and values will change over time, with the current intended use being:

Intended use	£m
Replacement of circa 135 vans – likely to be a combination of petrol/diesel	5.0
Investment in existing office / depot accommodation	1.0
Replacement grounds maintenance equipment	0.4
Subsidy towards initial cost of additional rental properties	0.3
Contingencies – General contingency – circa 5% of turnover	2.5
Contingency – towards exit plans following anticipated reduction in Homelessness Grants	1.5
Total	10.7

Derby Homes is a company limited by guarantee and has no ability to make a dividend payment.

Contingent Liabilities

Derby Homes receives grant from Homes England (HE), which is used to fund the acquisition and development of housing properties and their components. Grants of £3.1m received in respect of housing properties held at 31 March 2024 are credited to reserves in respect of adoption of ‘deemed’ cost. These grants are amortised in line with accounting policy and has an outstanding balance of £2.7m at 31 March 2024. HE imposes a future obligation to recycle such grant if the properties are disposed of. The potential liability to HE, in the event of a repayment requirement at 31 March 2024, would be £2.7m plus interest.

Notes to the Financial Statements

Year Ended 31 March 2024

Key Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies, the company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. The significant judgements relate to the following:

Useful lives of property, plant, and equipment

Depreciation is provided to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of property, plant and equipment would reduce accordingly. The carrying amount of property, plant and equipment by each class is included in note 9.

Pensions

Estimates used in determining the pension liability as described in note 8 and detailed within the accounting policy are material to figures contained in the Balance Sheet and Statement of Comprehensive Income.

Social Housing Grants

These are amortised over 80 years. This estimate is based on matching the write off period with depreciation estimate for non-componentised items in properties. Should management's assessment of the amortised period shorten then the adjustments would be made through the Statement of Comprehensive Income as appropriate.

Impairment of social housing properties

If there are indicators of impairment, this triggers the performance of an impairment review of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost.

Notes to the Financial Statements Year Ended 31 March 2024

2. Particulars of turnover and operating costs

All works were undertaken within the United Kingdom.

2024	Turnover £'000	Operating Costs £'000	Operating Surplus / (deficit) £'000
Social housing lettings (Note 3)	824	655	169
<u>Other Social Housing Activities</u>			
Management & maintenance of Derby City Council housing stock	35,332	35,063	269
Capital works to Derby City Council housing stock	18,117	18,025	92
Development work on Derby Homes and Derby City Council properties	685	730	(45)
Social Housing Grant recognised (Note 3)	39		39
Housing management and / or maintenance to other Landlord's properties	93	91	2
<u>Activities other than Social Housing Activities</u>			
Maintenance of DCC public buildings and management of homeless hostel and other activities	6,846	8,680	(1,834)
	61,936	63,244	(1,308)

2023	Turnover £'000	Operating Costs £'000	Operating Surplus / (deficit) £'000
Social housing lettings (Note 3)	625	429	196
<u>Other Social Housing Activities</u>			
Management & maintenance of Derby City Council housing stock	32,990	35,707	(2,717)
Capital works to Derby City Council housing stock	18,493	18,434	59
Development work on Derby Homes and Derby City Council properties	359	676	(317)
Social Housing Grant recognised (Note 3)	31	-	31
Housing management and / or maintenance to other Landlord's properties	63	55	8
<u>Activities other than Social Housing Activities</u>			
Maintenance of DCC public buildings and management of homeless hostel and other activities	4,907	6,620	(1,713)
	57,468	61,921	(4,453)

7Notes to the Financial Statements Year Ended 31 March 2024

3. Social Housing Lettings – General Needs properties

	2024 £'000	2023 £'000
Rents (net of void loss)	765	575
Service charge income	7	44
Other income	52	6
	<hr/> 824	<hr/> 625
Amortised government grant	39	31
Turnover from social housing lettings	863	656
Expenditure		
Housing Management	106	79
Service Charge related costs	60	45
Routine Maintenance	227	144
Property insurance	28	9
Other supplies & services	4	(11)
Depreciation	230	163
	<hr/> 655	<hr/> 429
Operating Expenditure on social housing lettings	655	429
Operating surplus on Social Housing lettings pre interest charges	208	227
	<hr/>	<hr/>
Void losses	4	4

Interest paid on property loans in 2023/24 was £147,000 (2022/23 £151,000). Any subsidy on social housing, in the early years of new properties, is consistent with the long-term business plan.

4. Operating deficit

	2024 £'000	2023 £'000
The operating deficit is stated after charging:		
Depreciation - annual charge housing properties	230	153
Depreciation - other tangible fixed assets	135	176
Auditor's remuneration:		
- audit services	38	35
- tax services	1	1
- other non-audit services	1	1
Defined benefit pension cost (per note 8)	3,543	7,486

Notes to the Financial Statements Year Ended 31 March 2024

5. Information regarding directors and employees

Directors and executive officers' emoluments are as shown below.

	2024	2023
	£	£
Directors' emoluments		
J Shepherd - Chair of Governance Committee (Apr 23 – Sept 23), Chair of Derby Homes (Sept 23 - Mar 24)	7,116	4,621
M Ainsley - Chair of Derby Homes (Apr 23 – Sept 23), Chair of Governance Committee (Sept 23 – Mar 24)	9,119	13,069
RGH MacDonald - Vice Chair of Derby Homes	5,311	4,621
IM MacDonald - Audit Committee Chair	4,247	5,780
	25,793	28,091

Executive Officers' emoluments

During the period there were four permanent executive officers. These executive officers are listed on page 2.

	2024	2023
	£'000	£'000
Basic Salary	429	406
Employers National Insurance	47	54
Pension contributions	61	57
	537	517
Emoluments paid to the highest paid executive officer	133	129
Pension contributions – highest paid executive officer	20	19
	153	148

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. No contributions were payable to any personal pension scheme the Executive Officer may have.

The remuneration payable to the highest paid Director / Executive officer relative to the size of the landlord for 2023/24 was £10.63 per property (2022/23: £10.33).

The aggregate amount of remuneration paid to Directors and Executive officers relative to the size of the landlord for 2023/24 was £36.37 per property (2022/23: £34.77)

The Housing Management service within Derby Homes for 2023/24 was £908 per property. (2022/23: £888).

Notes to the Financial Statements Year Ended 31 March 2024

Average number of persons employed (Full time equivalents)

	2024	2023
	Number	Number
Housing management	289	292
Central services and regeneration	20	18
Maintenance and repairs	256	245
	565	555

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

Staff costs during the year (including directors and executive officers)

	2024	2023
	£'000	£'000
Wages and salaries	18,239	17,022
Social security costs	1,809	1,741
Pension	3,492	7,497
	23,540	26,260

The pension cost relates to the current and past service costs.

Salary bandings for all employees earning over £60,000

	2024	2023
	Number	Number
£60,000 to £70,000	5	4
£70,001 to £80,000	-	-
£80,001 to £90,000	-	1
£90,001 to £100,000	3	2
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	-	1
£130,001 to £140,000	1	-
	9	8

6. Interest payable and similar charges

	2024	2023
	£'000	£'000
Loans from Derby City Council	147	151
Net interest on net defined benefit liability	440	916

Notes to the Financial Statements Year Ended 31 March 2024

7. Taxation

	2024	2023
	£'000	£'000
Current tax for the year	<u>124</u>	<u>30</u>
	124	30
Factors affecting tax charge for year	2024	2023
	£'000	£'000
The tax assessed for the year is lower than (2022/23: lower than) the standard rate of corporation tax in the UK of 19% (2022/23: 19%). The differences are explained below:		
Deficit before taxation	<u>(1,015)</u>	<u>(5,520)</u>
Deficit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021/22: 19%)	(193)	(1,049)
Effects of:		
Non-taxable income and deductions	317	1,079
Total tax charge for the year	<u>124</u>	<u>30</u>

The Company is a wholly owned subsidiary of Derby City Council and most income is derived from services provided to the Council. HM Revenue and Customs has confirmed that transactions between ALMOs and their Councils do not amount to trading and, accordingly, any surplus or deficit arising thereon is outside the scope of corporation tax. As a result of this, the effective rate of tax is 0% on these transactions (2022/23: 0%).

Notes to the Financial Statements Year Ended 31 March 2024

8. Pensions

The company is a scheduled member of the Local Government Pension scheme. This is a funded defined benefit scheme administered by Derbyshire County Council (DCC). Employees are eligible to join the Local Government Pension scheme subject to certain criteria. The pension costs charged to the Company in respect of those employees are equal to contributions paid to the fully funded pension scheme.

During the year, the Company paid employer contributions of £2,992,000 (2022/23 £2,484,000).

The minimum contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The Actuary completed a triennial valuation as at 31 March 2022. The funding level at that point was 103%, and the employer contributions are 16.2% from April 2023.

In calculating the current service cost, they have allowed for changes in the Employer's pensionable payroll as estimated from contribution information provided by Derby Homes. In calculating the asset share, they have rolled forward the Employer's share of the assets calculated at the latest formal valuation date, allowing for investment returns (estimated where necessary), the effect of contributions paid into (estimated where necessary), and estimated benefits paid from, the Fund by the Employer and its employees.

The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation are those such as rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions can significantly influence the value of the liability recorded and annual defined benefit expense.

At the year-end there was no employee contributions outstanding. All employer contributions have been paid.

Notes to the Financial Statements Year Ended 31 March 2024

The most recent valuation of plan assets and the present value of the defined benefit obligation were carried out by registered actuaries, Hymans Robertson Limited. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The last tri-annual actuarial valuation was carried out on 31/03/22.

Key assumptions used:	Valuation at	
	2024	2023
	%	%
Discount rate	4.85	4.75
Expected rate of salary increases	3.75	3.95
Future pension increases	2.75	2.95

Mortality rate assumptions are based on publicly available data in the UK. The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	2024	2023
	Years	Years
Male	20.8	21.0
Female	23.8	24.0

The average life expectancy for a pensioner retiring at 65, aged 45 at the reporting date:

Male	21.6	21.8
Female	25.3	25.5

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in assumption	Overall impact on Employer's liability	Approx. monetary amount £m
Discount rate	Decrease by 0.1%	Increase by 2%	2.224
Member life expectancy	Increase by 1 year	Increase by 4%	3.951
Salary Increase Rate	Increase by 0.1%	Increase by 0%	0.148
Pension Increase Rate (CPI)	Increase by 0.1%	Increase by 2%	2.135

Notes to the Financial Statements Year Ended 31 March 2024

Reconciliation of present value of plan liabilities	2024 £'000	2023 £'000
At the beginning of the year	(96,919)	(139,550)
Current service costs	(3,496)	(7,486)
Past service costs	(47)	-
Interest costs	(4,654)	(3,927)
Plan participants contributions	(1,144)	(1,079)
Benefits paid	2,553	1,811
Changes in financial assumptions	7,032	61,495
Changes in demographic assumptions	608	3,095
Other experience	(2,717)	(11,278)
	<hr/>	<hr/>
At the end of the year	<u>(98,784)</u>	<u>(96,919)</u>
Reconciliation of fair value of plan assets	2024 £'000	2023 £'000
At the beginning of the year	106,460	108,693
Interest income on plan assets	5,094	3,011
Plan participants contributions	1,144	1,079
Contributions made	2,992	2,484
Benefits paid	(2,553)	(1,811)
Other experience		(837)
Return on assets excluding amounts included in net interest	4,869	(6,159)
	<hr/>	<hr/>
At the end of the year	<u>118,006</u>	<u>106,460</u>
	2024 £'000	2023 £'000
Fair value of plan assets	118,006	106,460
Present value of plan liabilities	(98,784)	(96,919)
	<hr/>	<hr/>
Net pension scheme asset	<u>19,222</u>	<u>9,541</u>

Typically, a pension fund asset would not be recognised on the balance sheet as per accounting standards, on the basis that there is no realisable benefit. The pension asset of £19.222m has not been recognised in the balance sheet for this reason and is shown with a nil balance, and there the actuarial gain on the SOCI is limited to £0.111m

Notes to the Financial Statements Year Ended 31 March 2024

Amounts recognised in other comprehensive income are as follows:	2024 £'000	2023 £'000
Included in administrative expenses:		
Current service costs	3,496	7,486
Past service costs (including curtailments)	47	-
	<u>3,543</u>	<u>7,486</u>
Amounts recognised in other finance costs		
Net interest (income) / costs	<u>(440)</u>	<u>916</u>
Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income		
Return on assets excluding amounts included in net interest	4,869	(6,159)
Changes in financial assumptions	7,032	61,495
Changes in demographic assumptions	608	3,095
Other experience	(2,717)	(12,115)
	<u>9,792</u>	<u>46,316</u>
Composition of plan assets	2024	2023
Equities	68%	66%
Bonds	22%	23%
Property	7%	8%
Cash	3%	3%
	<u>100%</u>	<u>100%</u>
	2024 £'000	2023 £'000
Actual return on plan assets	<u>9,963</u>	<u>(3,148)</u>

Notes to the Financial Statements Year Ended 31 March 2024

9. Tangible fixed assets

	Social Housing Properties Held for letting £'000	Social Housing Properties Under Development £'000	Social Housing Properti es Total £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2023	9,495	1,674	11,169	2,951	14,120
Additions	2,689	204	2,893	-	2,893
Completions	1,674	(1,674)	-	-	-
Disposals	-	-	-	(48)	(48)
At 31 March 2024	13,858	204	14,062	2,903	16,965
Depreciation					
At 1 April 2023	1,265	-	1,265	2,477	3,742
Disposals	-	-	-	(48)	(48)
Charge for the year	230	-	230	184	414
At 31 March 2024	1,495	-	1,495	2,613	4,108
Net book value					
At 31 March 2023	8,230	1,674	9,904	474	10,378
At 31 March 2024	12,363	204	12,567	290	12,857

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

The Social Housing Properties Held for Letting are Freehold, except for 70 which are leasehold from Derby City Council as freeholder.

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

No interest has been capitalised.

Notes to the Financial Statements Year Ended 31 March 2024

10. Expenditure on works to existing properties

	2024	2023
	£'000	£'000
Amount charged to income and expenditure account	227	146

11. Debtors: amounts falling due within one year

	2024	2023
	£'000	£'000
Rent and service charge arrears	15	15
Less: Provision for doubtful debts	(11)	(11)
	<u>4</u>	<u>4</u>
Amounts due from parent Company	12,890	11,916
Trade debtors	198	339
Other Taxation	1,043	405
Other Debtors\Prepayments and accrued income	291	682
	<u>14,426</u>	<u>13,346</u>

12. Stocks and Work in Progress

	2024	2023
	£'000	£'000
Raw materials and consumables	511	543
Work in Progress	1,654	912
	<u>2,165</u>	<u>1,455</u>

Notes to the Financial Statements Year Ended 31 March 2024

13. Creditors: amounts falling due within one year

	2024	2023
	£'000	£'000
Amounts owing to parent Company	2,071	1,151
Loans due to parent	67	64
	2,138	1,215
Deferred capital grant – note 15	39	31
Trade creditors	102	1,895
Corporation tax	100	25
Other taxation and social security	473	450
Sinking Fund balances	108	99
Accruals and deferred income	5,660	5,328
	8,620	9,043

Included within the Amounts owing to parent Company is £0.067m (2022/23 £0.064m) relating to property loans.

14. Creditors: amounts falling due after one year

	2024	2023
	£'000	£'000
Deferred Capital grant – note 15	2,676	2,134
Amounts owing to parent Company – New Build Loan	2,666	2,733
	5,342	4,867
Loan Repayments are due as follows:		
Between 1 and 2 years	70	67
Between 2 and 5 years	230	220
In more than 5 years	2,366	2,446
	2,666	2,733

Included within the creditors falling due after more than 1 year is a loan of £1.018m (2022/23 - £1.027m) charged at 5.06% interest rate and a loan of £0.072m (2022/23 - £0.080m) charged at 6% interest rate. Other loans relating to the development at Chesapeake (at 4.05%) have £0.155m (2022/23 - £0.163m) outstanding over one year and £1.422m (2022/23 - £1.464m) on the loan for Elton Road (at 5.5%).

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

Notes to the Financial Statements Year Ended 31 March 2024

15. Deferred Capital Grant

	2024	2023
	£'000	£'000
At 1 April 2023	2,164	2,196
Grants received in year	588	-
Released to income in year	(37)	(32)
	<u>2,715</u>	<u>2,164</u>
At 31 March 2024	<u>2,715</u>	<u>2,164</u>

In total, Derby Homes has received a cumulative £3.1m social housing grant assistance, with £0.4m recognised through the Statement of Comprehensive Income account as amortisation of social housing grant. Grants are amortised over an 80-year period.

16. Parent Undertaking

The Company is a local authority-controlled Company within the meaning of Part V of the Local Government and Housing Act 1989, being a Company under the control of Derby City Council. Copies of the financial statements for Derby Homes Limited can be obtained from the Secretary, Derby Homes Limited, 839 London Road, Derby DE24 8UZ.

Consolidated accounts are prepared by Derby City Council, where consolidated accounts are available from the Section 151 Officer, Derby City Council, The Council House, Corporation Street, Derby, DE1 2FS.

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

17. Related Party Undertaking

The Company's ultimate parent and controlling party is Derby City Council.

Derby Homes Limited is an Arm's Length Management Organisation from Derby City Council to run the management and maintenance function of the Council's homes and other buildings. A partnership agreement dated 1 April 2022 to 31 March 2032 is in place. Derby Homes has no share capital and is limited by guarantee.

The Council annually sets a management fee payable to Derby Homes, covering the housing management and maintenance services – for 2023/24 this was £29.5m (2022/23 : £28.1m). During the year, a further £78,000 payment was received, relating to the pay award and changes to employer pension contribution element. Payment of the fee is across 12 monthly instalments per the Partnership Agreement, although the actual timing of these payments is delegated to Officers to ensure optimum cashflow across both organisations.

Notes to the Financial Statements Year Ended 31 March 2024

At the end of the financial year, all sums due on the management fee had been paid and received.

In addition to the management fee, Derby Homes invoices Derby City Council for other works – mainly works to the Councils HRA Capital programme, service charge income (where Derby Homes delivers those services) and Homelessness services. In total, for the management fee and other works, £56.454m was invoiced in 2023/24 (2022/23 : £56.399m). At 31 March 2024 £12.89m (gross of VAT) was outstanding (2022/23 : £11.916m gross of VAT).

In 2023/24 Derby Homes procured £8.999m of services off Derby City Council (2022/23 : £8.533m). At 31 March 2024 £4.804m (gross of VAT) was outstanding (2022/23 : £3.948m gross of VAT).

The net balanced claimed by Derby Homes at the year end was £8.086m (gross of VAT), with £7.968m (gross of VAT) being the 2022/23 position. The balance is payable on normal commercial terms and does not bear any interest.

The Company Board includes members who are tenants of Derby Homes and members who are elected representatives of Derby City Council. The Company undertakes transactions with the Council at arm's length in the normal course of business. 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.

During the year Mike Ainsley was also chair of the National Federation of ALMO's. During the year subscription fees and conference fees totalled £20,017 were procured at arm's length and on commercial terms.

Lucy Care is Member of Council of Governors, University Hospitals of Derby and Burton NHS Foundation Trust. During the year services totalling £840 were procured at arm's length and on commercial terms.

Maria Murphy is also a Board Member with Social Landlords Crime & Nuisance Group – trading as Resolve Antisocial Behaviour. During the year services totalling £2,774 (2022/23: £1,930) were procured at arm's length and on commercial terms.

Shaun Bennett is Chair of Board, Efficiency East Midlands. During the year tickets for an Awards Ceremony were procured at arm's length and on commercial terms for £510.

18. Operating Leases

At the end of the year amounts due under operating leases were as follows:

	2024	2023
	£'000	£'000
Amounts due less than 1 year	109	18
Between 2 and 5 years	335	10
Over 5 years	-	-
	444	28

19. Accommodation in Management and Development

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

	2024	Additions / (Disposals)	2023
General Needs Housing			
- Social Rent	58	2	56
- Affordable Rent	93	32	61
- Intermediate Rent	2	-	2
- Market Rent	5	-	5
Total owned	158	34	124

Properties managed on behalf of other organisations were:

	2024	2023
Derby City Council - HRA	12,356	12,364
The Guinness Trust	33	33
War Memorial Village (Derby) Ltd	54	54
	12,443	12,451

Overall properties owned and managed were:

	2024	2023
Total owned	158	124
Properties managed on behalf of other organisations	12,443	12,451
Shared Ownership managed – Derby City Council	63	63
Leaseholders managed – Derby City Council	667	669
	13,331	13,307

Notes to the Financial Statements Year Ended 31 March 2024

20. Net debt reconciliation - Year ended 31 March 2024

	1 April 2023 £'000	Cash flows £'000	Other non-cash changes £'000	31 March 2024 £'000
Cash at bank and in hand	11,135	(5,247)		5,888
Short term loans	(64)	64	(67)	(67)
Long term loans	(2,733)		67	2,666
Net assets	8,338	(5,183)	-	8,487

21. Capital Commitments

As at 31 March 2024, Derby Homes had capital commitments totalling £2,929,046 (2022/23: £533,141).