

DERBY HOMES LIMITED

(A Company limited by guarantee)

Company No. 4380984

Report and Financial Statements

Year ended 31 March 2021

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Report and Financial Statements Year Ended 31 March 2021

Board Members, Executive Officers, Advisors and Bankers

Directors

I M MacDonald	appointed 28.02.02
M Ainsley (Chair)	appointed 29.09.11
R G H MacDonald	appointed 27.11.14
J M Shepherd	appointed 27.11.14
L H Care	appointed 23.05.18
S Russell	appointed 22.05.19 ; resigned 26.05.21
J Pearce	appointed 22.05.19; resigned 24.06.20
J Layton Annable	appointed 28.11.19
F Richards	appointed 28.11.19; resigned 04.09.20
A W Graves	appointed 24.06.20
C Bhurton	appointed 25.01.21
S Khan	appointed 26.05.21

Executive officers

M J Murphy
D Enticott
S Bennett
C Mehrbani

Secretary

D Enticott

Registered Office

839 London Road
Derby
DE24 8UZ

Auditor

BDO LLP
Two Snowhill
Birmingham
B4 6GA

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 2021

An unusual year

As for everyone else, Derby Homes has experienced a year unlike any other. This financial year coincides almost entirely with the experience of the worst pandemic since the 'Spanish' flu in 1920. It has affected almost every aspect of life and Council housing is no different.

While I mentioned it briefly in last year's accounts, the impact of COVID-19 has been more prolonged than we all hoped and may continue to impact for a while yet. We are now in a position where most of our services are (as far as possible) operating effectively again, but during 2020/21, we clearly could not carry out as much work as usual and have had backlogs in many areas, especially disruptive works like kitchens and bathrooms in tenants' homes and some routine repairs have been deferred.

We have also made significant strides in other areas during the year.

We helped with the emergency response to COVID in any way we could, with staff undertaking all sorts of roles not usually associated with housing for a short time. Working with the Council, we firstly rented a hotel for the 'everyone in' initiative for rough sleepers, then rehoused as many as possible once that arrangement ended after 3 months. We then obtained government grant funding for the Council to buy 20 properties to house rough sleepers more permanently. This will require some support for those new tenants and funding was also increased for that service too.

The success of our partnership approach on homelessness generally has been recognised by the government through ever increasing funding levels and we hope to deliver further properties for rough sleepers and others facing homelessness in the future.

Our partnership with the Council also continues to get stronger as part of the 'Team Derby' approach. The Council has approved a new 10-year contract for Derby Homes to continue to manage its Council housing from 2022. This means we can look forward to a period in which we continue to provide an excellent service to our tenants, increasing our stock of homes and providing strong support to the Council.

As ever, I would like to record my appreciation for the efforts of everyone at Derby Homes – Board Members, employees, tenants, leaseholders and volunteers – for their forbearance and efforts during this difficult year and I hope that we will all find the next year a significant improvement.

A handwritten signature in blue ink that reads "Mike Ainsley". The signature is written in a cursive style with a long horizontal stroke underneath the name.

Mike Ainsley, Chair of Derby Homes

Report of the Board of Management

Year ended 31 March 2021

The Board present their annual report and the audited financial statements for the year ended 31 March 2021.

Mission

Derby City Council and Derby Homes will continue to fulfil our mission to deliver 'High quality services for people, homes and communities' with the support of our partners and our 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 12,659 rented properties along with 60 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 653 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 107 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 but is considering an earlier settlement with Revive and the Council.

Review of Business

2020/21 was another successful year for Derby Homes.

Financial performance 2020/21

Operational (day to day) surplus – £2.6m

The underlying operational surplus (excluding pension fund impacts) of £2.6m set out on page 18 demonstrates that the company can continue to operate effectively within its income, although the amount of that surplus is expected to reduce significantly in line with plans approved by the Board. The company will have the main management fee with the Council reduced in real terms in line with the reducing numbers of properties to manage and invest in staffing resources and neighbourhood services.

Formal accounting operational deficit – £0.181m

The operational deficit reported in the accounts is £0.181m (2020 – loss of £1.1m) 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 14.4% used in the management accounts - resulting in additional costs of £2.6m in the SOCi's operational surplus not included in the management accounts during the year.

Report of the Board of Management - year to 31 March 2021 cont.

Balance Sheet – overall net liabilities of £20.1m

The balance sheet of the company has significantly worsened as a result of significant negative pension fund assumptions. The overall headline is a comprehensive loss for the year of £21.242m (2020 – gain of £16.047m). The overall pension fund deficit increased from £19m to £40.2m. This remains repayable on a sustainable planned basis over the longer term: the latest actuarial assessment of the fund in 2019 (undertaken on a different basis to accounting) indicated a 106% funding level for Derby Homes.

Effects of material estimates and judgements upon performance

The overall net worth of Derby Homes is now a negative £20.1m - a change from a positive net worth of just over £1m in 2019/20 (it was a negative £15m in 2018/19). This net worth is highly volatile – a 0.5% increase in the pension fund discount rate (mostly linked to future increases in interest rates) would reduce the pension fund deficit – and hence increase the net worth of Derby Homes by £17.4m. The triennial actuarial assessment in 2019 used a discount rate of 3.6% which if it were to prove correct in the longer term would reduce the pension fund deficit by around £54m. Any overall assessment of the company's financial position needs to consider this huge volatility. The approach that the company has taken is to sustain a balanced or positive management account surplus, which enables the underlying asset base of the company to continue to strengthen, combined with the Council's guarantee to fund any minimum pension fund contribution as long as the company aligns its retirement policy with the Council's. Using this approach, our view is that the key balance sheet figure is the 'net assets before pension liability' which has remained stable at £20m.

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 ourselves 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 93% of tenants (2019/20: 93%). 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 May 2021 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 2015". The Board recognises one area of non-compliance, with respect to its Board Membership due to our Constitution, and a second with respect to Board Member appraisals which we expect to resolve this year.

Report of the Board of Management - year to 31 March 2021 cont.

Going Concern

At its meeting on 29 July 2021, the Board of Derby Homes Limited approved the statement that, in their opinion, Derby Homes Limited has adequate resources to continue in operational existence for the foreseeable future. The Company has negotiated and agreed a fresh 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.

The Council recognises that, following the formal accounting standards applicable, the Company does not currently have enough reserves to offset the resultant pension fund deficit. 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. This support is expressed through a letter of representation received from the Council's Section 151 officer each year.

As anticipated last year, the COVID-19 crisis only affected our financial position marginally insofar as we faced additional costs especially with relation to homelessness services and PPE. The support of the Council through the initial lockdown period and the support of our tenants in reducing their need for immediate repairs (other than emergencies) meant that the financial impact was limited. We will face some uncertain additional costs in catching up with an inevitable backlog of routine repairs which is difficult to forecast accurately, we cautiously estimate the possible cost at £0.5m. No specific financial provision has been made directly for this cost, but if it does occur in 2021/22 it can be contained through the use of reserves.

The Council's decision to renew our core contract from April 2022 is clearly very welcome news, bringing stability and the ability to plan for a longer-term future of Derby Homes. Additional properties are being bought - using both vacant Council flats and some from the open market - to expand our stock in specialist arrangements supported by the Council.

Report of the Board of Management - year to 31 March 2021 cont.

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.

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.

Report of the Board of Management - year to 31 March 2021 cont.

Employment Policies

Employment of Disabled Employees

- **Recruitment & Training**

Derby Homes operates a 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 tell us what 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. We 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**

We have 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.

- **Employee Volunteering Scheme**

We have an employee volunteering scheme as part of our commitment to corporate social responsibility and in recognition of the benefits to our employees, our 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.

Report of the Board of Management - year to 31 March 2021 cont.

- **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 that staff attend. 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 Welfare Reform 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 2021 cont.

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 2014 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 2019. 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 2014.

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 2021 cont.

Emissions and Energy Consumption

During the year, in the delivery of the service, Derby Homes emitted an estimated 1,116 carbon tonnes and 2,806,289 kwh in gas and electricity. This is detailed in the table below:

Type of resource	2020/21 Carbon tonnage	2020/21 KWH	2019/20 Carbon tonnage	2019/20 KWH
Diesel used in van fleet	481	-	535	-
Fuel used for business mileage in employees' own cars	27	-	60	-
Gas used in offices and common rooms	368	2,001,369	411	2,237,694
Electricity used in offices and common rooms	225	804,920	172	845,585
Water used in offices and common rooms	16	-	15	-
	1,116	2,806,289	1,193	3,083,279
Total properties – owned and managed in year	13,570	13,570	13,650	13,650
Carbon tonnes consumed per 1,000 properties owned and managed	82		87	
KWH consumed per 1,000 properties owned and managed		206,801		225,881

For electricity the carbon tonnage figure is as reported on electricity invoices. During the year, our electricity provider used a greater percentage of fossil fuels in their power generation than the year before.

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 continued its feasibility review into the viability of replacing some / all its diesel van fleet with electric vans when each van is next renewed. A trial electric van is planned for 2021/22. Whilst this review is ongoing, the replacement / addition of new diesel vans is limited to just those vans that are beyond economic repair, long term lease buyouts or as a result of additional works.

We 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 2021 cont.

Financial Instruments Risks

The company is in the fortunate position that it holds significant 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. Core workstreams over the next 10 years are stable, with the likelihood of significant increases in capital works (to the Councils housing stock) for the Council over that period planned to be delivered by Derby Homes.

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)).

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

By order of the Board



Chair

Date 29 July 2021

Strategic Report for the year ended 31 March 2021

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 are:

Strategic Objective 1	Service that puts our customers first
Strategic Objective 2	Quality homes and contributing to sustainable communities
Strategic Objective 3	Reducing homelessness and enabling access to affordable housing
Strategic Objective 4	Value for money is a consideration in everything we do

Strategic Report - Derby Homes' s172 statement - cont.

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; the installation of sprinkler systems in new build is a standard consideration. We have delivered new bungalows for the War Memorial Village which increase environmental standards even further and will be actively looking to adopt higher standards in our own developments and those for the Council in future schemes. We are continuing to review the future of our van fleet with the potential to move to electric vans. We are working with the council on plans for significant energy efficiency upgrades to the last few blocks of uninsulated non-traditional blocks of flats in Mackworth, using government funding to help to meet those costs.

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 - cont.

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.

National policy changes have been positive over the last couple of years with the lifting of the HRA debt cap and lower interest rates on borrowing. Reforms to the use of Right to Buy receipts have recently been made which extend the period that Councils can retain those receipts making it more attractive to invest in new homes rather than acquisitions from the market. This in turn could lead to a more positive role for Derby Homes and the Council working together to deliver more new affordable homes for Derby in the period of our next contract. In order to have influence on such national debates, we join with others to attempt to influence government policy through the National Federation of ALMOs (NFA) and other bodies.

The net loss of Council housing in this financial year was the smallest since 2012 when the maximum Right to Buy discount was increased sharply – the Council still were required to sell 103 under those rules but managed to replace around three quarters of them this year, mainly through acquisitions but also from a few new builds completed by Derby Homes.

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.

Strategic Report - Derby Homes' s172 statement - cont.

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.

This year, we have:

- Responded to the government call to bring everyone in from the streets, working in partnership with Holiday Inn Express, Safe Space, Derby City Mission and the Council to increase capacity to provide temporary accommodation to some of the city's most vulnerable people. When closing this facility all remaining residents left with an offer of accommodation and support appropriate to what they needed next, as part of our continued development of housing pathways.
- Increased still further our efforts in homelessness prevention in partnership with others.
- Developed a Housing Systems programme to ensure supported housing providers are provided with relevant support and best use is made of available accommodation in the private sector.
- Developed a Private Sector recovery plan to respond to the impact of the pandemic, in anticipation of greater levels of need as we move into the recovery phase.
- In collaboration with MHCLG and DCC, delivered 20 new units of accommodation with support for those with a history of rough sleeping.
- Launched a City focussed Registered Providers Summit, enlisting the Registered Provider Sector in the recovery of the City.
- Supported the modernisation of the Padley Day Centre and associated hostel.
- Further expanded our Private Rented Sector Initiative, providing support and guidance to landlords and tenants in the private rented sector, including launching our 'Call before you serve' initiative for landlords.
- Supported a vaccine rollout to 205 individuals living in hostels, emergency accommodation and those living on the streets.
- Funded accommodation-based support for survivors of domestic abuse.
- Worked with Resolve to develop an accredited Anti-Social Behaviour Apprenticeship programme.

Strategic Report - Derby Homes' s172 statement - cont.

- Supported the development of a Youth Alliance, Food Alliance and Advice Alliance within the City.
- Led on the development of Localities Working as part of the Cities Better Together Strategic Ambition, taking on the management of the city's Neighbourhood Service.
- 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. Although our customer facing consultation has been limited this year due to the pandemic, we have worked to prioritise our vulnerable customers, carrying out over 4000 safe and well checks via telephone contact, signposting and making appropriate referrals where necessary
- Assisted the Council by delivering homes for Care Leavers to live independently.
- 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, despite this impacting on our own targets for new homes within the RP.

Strategic Report - Derby Homes' s172 statement - cont.

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 ourselves and the Council.

Previous and current financial performance

The current level of surplus (even after excluding the impact of the pension fund deficit) is unlikely to be sustained indefinitely. Our latest plans show an intention to reduce operational surpluses in the future and to continue to focus on service provision.

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

Derby Homes Key figures	Actual £'000 17/18	Actual £'000 18/19	Actual £'000 19/20	Actual £'000 20/21	Budget £'000 21/22
Turnover £m	38.8	42.3	46.8	45.2	43.1
Operational Surplus £m (management accounts basis)	1.9	2.5	2.3	2.6	0.0
Surplus % Turnover	4.9	5.9	4.9	5.8	0.0
Council Homes managed (excluding Shared Ownership & Leasehold)	13,002	12,874	12,757	12,659	12,500
Derby Homes properties owned	90	97	100	107	123
Reserves £m exc LGPS	15.6	17.9	20.0	20.0	20.0
Reserves £m inc LGPS	-5.2	-15.0	1.0	-20.1	-20.1

These show a sustainable level of reserves if the pension fund deficit is excluded. This deficit is effectively underwritten by the Council from its Housing Revenue Account as our contracts – both current and future - include a requirement for the Council to ensure that our pension fund contributions are reflected in our management fee income. In practical terms this means that any agreed contribution rate will be reflected in a change to our fee whether up or down. At the last actuarial review in 2019, our funding position was assessed at 106% meaning that a reduced contribution was possible. The Council therefore reduced our funding accordingly. While this is likely to reduce the reported funding level at the next review, the obligation on the Council remains to increase our funding in line with any required future increase in contributions. The overall prospect for the pension fund deficit is therefore that it should be addressed in the medium to long term by continuing to pay a minimum of the required contributions for the foreseeable future. Sufficient funds are set aside in the Council's HRA Business Plan to allow for the likely scale of contribution increases.

Strategic Report - Derby Homes' s172 statement - cont.

The pension fund deficit has deteriorated significantly this year from £19m to over £40m - as a result of further changes in actuarial assumptions, notably around the expected level of future inflation.

The cash flow position remains very positive and able to withstand reasonable stress testing.

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 38. Following the processing of pension fund transactions, the business returned a deficit after taxation for the year of £0.806m. This was after a charge of £3.244m which arose from accounting adjustments for pensions (split £2.804m FRS102 adjustments plus £0.44m net interest on pensions), a further £0.157m relating to interest payable on loans from the Council and a taxation charge of £0.028m.

	£'000	£'000
Management account operating surplus		2,623
FRS 102 adjustments:		
Add back of employer pension contributions paid in year of £4.797m excluding £2.438m of 2021/22 employer pension contributions prepaid	2,359	
Less current service costs	<u>(5,163)</u>	<u>(2,804)</u>
Operating deficit		(181)
Less other interest payable		(157)
Less net interest on pensions		<u>(440)</u>
Deficit before taxation		(778)
Less taxation		<u>(28)</u>
Deficit for the year		(806)
Actuarial loss on defined benefit obligations – pension scheme		<u>(20,436)</u>
Total comprehensive loss for the year		<u>(21,242)</u>

Financial performance – after pension factors are removed – continues to be positive. Still further savings have been delivered against management and maintenance fee income areas. As a result of the Council's requirement to focus most development on utilising its Right to Buy receipts quickly, our own development of stock has been less than we would be able to support, but those funds continue to be ready to invest once the balance of risk for the Council becomes such that our investment is preferred in some circumstances. This may well start to be the case with RTB reforms assisting the Council to utilise its RTB receipts at a greater pace.

Strategic Report for the year ended 31 March 2021 cont.

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 £7.9m and £20m. Fixed assets should rise further as the stock increases in line with the moderate growth expected over the next few years. The debt associated with this strategy remains affordable.

Operational Performance

The table below is a sample of some key performance indicators comparing performance for 2020/21 with the previous three years.

Description	2017/18	2018/19	2019/20	2020/21
Energy Efficiency - average SAP (Standard Assessment Procedure) rating of dwellings.	73.7	75.2	75.5	75.5
Rent collected by the local authority as a proportion of rents owed on Housing Revenue Account (HRA) dwellings	99.0%	99.7%	99.3%	99.8%
Rent arrears of current tenants as a % of rent roll.	2.15%	2.29%	3.15%	3.14%
Tenant Satisfaction with Landlord (All)	91.3%	94.4%	95.3%	94.6%
Tenant Satisfaction with views taken into account	79.0%	83.3%	78.3%	84.8%
Non-Decent Local Authority Dwellings (percentage)	0%	0%	0%	0%
Average time taken to re-let local authority housing. (days)	24.5	23.7	25.2	42.5

Performance Highlights 2020/21

Performance continues to be excellent, with most key indicators meeting or exceeding targets set by the Council. While spending has been restrained, this has not been at the expense of performance.

Derby Homes has met most of its targets and has seen overall tenant satisfaction sustained at just under 95% (2019/20 95.3%).

The rent charge is seen as value for money by 93% of tenants (2019/20 93%).

We continue to meet 100% targets for electrical and gas safety testing compliance and expect to continue to do so.

Strategic Report for the year ended 31 March 2021 cont.

Re-let times in 2020/21 have suffered as a result of COVID. In particular delays from the temporary suspension of new lettings plus workforce and materials availability. We aim for a recovery to the previous number of re-let days in 2021/22.

We have continued to respond positively to the demand for services during the year with several continuing initiatives:

- YMCA Y Steps supported housing for under 35's who are homeless.
- Action Housing supported housing programme targeted at homeless people who are excluded from the housing register.
- Homes for Me project, targeted at entrenched street homeless people.
- Star Project to support those leaving prison.
- 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 and testing positive for coronavirus.
- Continued rough sleeping in reach and outreach service, to engage rough sleepers without the need for them to use traditional entry routes to services.

Rough sleeping continues to reduce - from 14 in November 2019 to 6 in November 2020.

We also continued to support preventative and diversionary activities for young people and many other initiatives which focus on improving life for tenants and residents.

An example of activities that Derby Homes hosts for young people is 'Ignite & Connect' – formerly the Youth Panel.

Ignite & Connect were fundamental to improvements to Osmaston with support and feedback from local schools. A BMX park consultation in Osmaston consisted of several sessions in local schools and parks to gain residents feedback to enable a bid for improvements and the creation of a volunteer committee to facilitate the BMX park to operate. The bid for the BMX track was successful and just under £25k has been secured to support this project, we look forward to the completion of the works and hope that this will be a well-used facility for young and old for many years to come.

Strategic Report for the year ended 31 March 2021 cont.

In addition to the key indicators above, we are particularly proud of the following outcomes:

- Overall tenant satisfaction at 94.6% - almost as high as last year's record 95.3%.
- Customer satisfaction with repairs - 99%.
- No non-decent homes.
- Of 297 initial complaints – an 18% fall from last year's total - 95% were resolved at first contact.
- No complaints found against us by the Housing Ombudsman.
- 8,497 tenants have signed up for online services – a further 23% increase on last year, and two thirds of all tenants.

Response to COVID-19

The World Health Organisation classed COVID-19 as a pandemic on 11 March 2020. Following that announcement, the UK Government introduced various measures to address the impact in the UK, resulting in lockdown from 23 March 2020.

We adopted several measures to ensure the safety of tenants, staff, contractors, and the residents of Derby during this time. We undertook the following:

- Working alongside the Council, Atlas Hotel Group, and several other partner agencies, we block-booked 100 rooms for 'roofless' citizens to isolate themselves during the coronavirus outbreak. This initiative ran for three months to mid-June and in total over 140 individuals were supported. Most importantly, move on accommodation and relevant personal support was made available to all when leaving the hotel, with the longer-term aim of assisting them to maintain permanent accommodation.
- We supported the Council in several of its responses including:
 - Adapting part of our depot into a PPE storage facility as part of the City-wide distribution of PPE to essential services.
 - Provided staff to volunteer in the "Community Hub" initiative to those identified as most vulnerable in the City.
 - Provided staff to switch roles into Council essential service delivery areas.
- Provided regular contact with older and vulnerable tenants to ensure that they are well, feel supported and assisting them to get help where needed.
- With Council support, we amended the Allocations Policy and suspended the waiting list and allocation of properties to General Needs bidders. This allowed vacant properties to be available as part of the wider response to meeting statutory responsibilities around Homelessness.
- We suspended major component replacements such as kitchens and bathrooms. A phased re-introduction of these works commenced from the start of August 2020, initially with external works, such as roofing. Service resumption was staggered throughout 2020/21 in line with further lockdowns and to minimise disruption to tenants.

Strategic Report for the year ended 31 March 2021 cont.

- Responsive repairs switched to an essential repairs service for the majority of the year. Job numbers were around 9,000 lower than the usual 35,000. A phased approach to resuming general repairs commenced in March 2021 and then fully from April 2021. We believe that the cost of clearing the backlog may be around £0.5m, and will fund the cost from reserves as necessary.
- We continued to work on void (empty) properties, this was particularly important to keep a supply of temporary accommodation available for those most in need.
- We temporarily suspended gas servicing and electrical testing works. During this time, we monitored and considered the requirements from the Regulator of Social Housing and Health & Safety Executive. We communicated and got approval for our temporary position from the Board and the Council. These services re-commenced in May.
- We suspended works on our new build sites in line with Government recommendations to protect our staff and business partners. A phased re-opening of these commenced from June 2020.
- We amended our rent arrears procedures to concentrate only on financial support and signposting to those in arrears. This supplemented the wider work our Derby Advice and Welfare Reform Teams were providing to both tenants and residents of Derby. We re-commenced some arrears collection procedures from 1 July 2020.
- All teams were and continue to work from home wherever possible. We are fortunate that our existing IT infrastructure allowed for very quick rollout.
- We set up a virtual panel to enable more customers to be able to review and offer constructive comments on a range of our service areas.
- Our volunteers have been vital for supporting local communities – and our tenant federation, the DACP, grant funded Aspire to deliver over 5,000 food parcels.

Awards

CIPFA Innovations Award

In 2017, our Annual Report and Accounts 2015/16 won this national award in the category 'Achievement in Financial Reporting and Accountability'.

Our Annual Reports for 2016/17, 2017/18, 2018/19 and 2019/20 were also shortlisted for the same award, meaning that we have now been shortlisted five times in a row. The 2018/19 Report was awarded 'Highly Commended'.

National Federation of ALMOs photo competition

Our entry to this competition was the winner in April 2020 – for a great picture of people enjoying our Sacred Bean coffee – part of our 100 years of Council housing celebration last year.

Strategic Report for the year ended 31 March 2021 cont.

RSPCA Pawprints Award

The PawPrints Award recognises good practice from local authorities and housing providers in relation to animal welfare. PawPrints celebrates good practice by rewarding organisations working towards higher animal welfare standards. Derby Homes were recognised for our on-going commitment to responsible pet ownership and animal welfare amongst our tenants.

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. Over the last year circumstances have altered what volunteering has been allowed to take place, but volunteers have still been vital to deliver essential support for communities in Derby.

For Derby Homes, our scrutiny groups such as Customer Voice and Ignite and Connect (Youth Panel) have continued to support our services. Customer Voice projects have included 'Quality of Repairs' which recommended 12 alterations to the repairs service. Of the 12 recommendations, 10 have already been implemented and another 2 are being assessed for feasibility. Their next report started early 2021 and is reviewing 'Homefinder'.

Our Youth panel, Ignite and Connect, have created an Anti-Bullying Podcast to offer peer support, and are now working towards approval that all volunteers from the panel may have a guaranteed apprenticeship interview with Derby Homes, furthering their development.

Each year we celebrate the contribution of our volunteers through an annual Volunteering celebration. This year was a virtual event, but to thank our volunteers we posted certificates and badges as a token of our appreciation. This was delivered to over 110 of volunteers that regularly give their time to our communities.

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. This was updated this year and closely aligns with the Council's newly updated approach to risk management in terms of wording and scoring mechanisms.

Strategic Report for the year ended 31 March 2021 cont.

Each risk is reviewed regularly and was reassessed with scores updated in March 2021, scrutinised by the Audit Committee and approved by the Board.

The principal uncertainty currently facing Derby Homes remains the impact of the ongoing global COVID-19 outbreak. The Board and Senior Management Team, working alongside Derby City Council, continue to monitor the outbreak, including UK Government advice, and acknowledge that Derby Homes faces a period of uncertainty on how services will be required to be adapted going forwards. While the evolving nature of the situation means it is not possible to accurately quantify the financial impact, Derby Homes is in a good financial position to help manage this risk, as detailed in the Going Concern note.

Operationally, changes were made to ensure that essential services were maintained during initial lockdown, these are listed in the Strategic Report. Changes to service delivery methods continue to be made during the ongoing resumption of services. Infrastructure is in place to allow staff to work remotely and our key priority is to ensure, as far as possible, that our housing services are still available when needed.

Financial and non-financial key performance indicators

Derby Homes has had another successful year. Not only have most performance targets been met, this has been done cost effectively and the efficiencies generated in day to day operations will continue to be reinvested in expanding the housing stock from 107 towards 150.

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 for the year ended 31 March 2021 cont.

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 Boards or Committees:

- 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.

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.

Strategic Report for the year ended 31 March 2021 cont.

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. The RSH Global accounts for 2020 do not this year appear to include a VfM annex for comparisons.

Metric 1 – Reinvestment %

Good = higher

	£m
+ Development of new properties	0.506
+ Newly built properties acquired	-
+ Works to existing properties	-
+ Capitalised interest	-
+ Schemes completed	-
Total	0.506
Divided by	
+Tangible fixed assets: Housing properties at cost	7.266
+Tangible fixed assets: Housing properties at valuation	-
Total	7.266
Result	7.0%

This is a measure of capital investment in existing and new homes against the existing asset base value. The median was 6.2% for 2019. The current priority has been for most new homes to be owned by the Council in order to utilise right to buy receipt funds available, but this may shortly be reviewed, and there is a prospect of Derby Homes' own developments increasing in the medium term.

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

Good = higher

	Units
+ Total social units developed or acquired in year	7
+ Social leasehold units acquired in year	0
Total	7
Divided by	
+ Total social housing units owned	102
+ Social leasehold units owned	0
Total	102
Result	6.9%

Value for money (VfM) cont.

This year, Derby City Council has continued to have a need to invest its Right to Buy receipts quickly in order to retain them under the restrictive time period on their use. As a result, Derby Homes has not been investing in 'standard' social housing directly but has bought seven properties - with some being leased back to the Council, and some for a prospective new approach with local charity Padley, and one for general needs letting at social rent. These and intermediate rented properties are classified as social housing units: only the market rented properties at Green Lane are non-social housing in the widest sense.

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	102
+ Total non-social rental housing units owned	5
+ Social leasehold units owned	0
+ Non-social leasehold units owned	0
Total	107
Result	0%

Metric 3 – Gearing % Good = lower

	£m
+ Short term loans	0.059
+ Long term loans	2.859
- Cash & cash equivalents	(18.071)
+ Amounts owed to group undertakings	0.806
+ Finance lease obligations	-
Total	(14.347)
Divided by	
+ Tangible fixed assets: Housing properties at cost	8.218
+ Tangible fixed assets: Housing properties at valuation	-
Total	8.218
Result	-175%

This is a measure that looks odd as we remain cash rich and therefore could invest in new homes should an opportunity arise that helps the Council more than direct investment in Council housing – as happened with the Looked After Children initiative. At present these opportunities are limited but it is expected that there could be some opportunities soon. It does support the Board's strategy and shows that Derby Homes does have – as planned - the financial capacity to deliver more homes.

Value for money (VfM) cont.

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

	£m	£m exc LGPS
+ Operating (deficit) / surplus	(0.181)	2.623
-Gain / loss on disposal of fixed assets	-	-
-Amortised grants	0.032	0.032
-Government grants taken to income	-	-
+ Interest receivable	-	-
-Capitalised major repairs expenditure for the period	-	-
+ Total depreciation charge for period	0.365	0.365
Total	0.216	3.020
Divided by		
+ Interest capitalised	-	-
+ Interest payable and financing costs	0.157	0.157
Total	0.157	0.157
Result	138%	1,924%

This result is another that looks strange as it includes all operating surplus (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.

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 £5.029m and depreciation of £0.365m from total Operating Costs of £45.356m = £39.962m.

Divided by

Total social housing units owned or managed= 13,570

Result = £2,945 (RP median £3,830 2019/20)

It indicates that our overall costs are £2,945 per property (or £57 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) cont.

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

Good = higher

	£m
+ Operating surplus (social housing lettings)	157
Divided by	
+ Turnover from social housing lettings	479
Result	33%

Metric 6b: Operating Margin (Overall) %

	£m	Exc LGPS £m
+ Operating (deficit) / surplus (overall)	(0.181)	2.623
- Gain / (loss) on disposal of fixed assets (housing)	-	-
Total	(0.181)	2.623
Divided by		
Turnover (overall)	45.175	45.175
Result	-0.4%	5.8%

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. If that is included the position is a breakeven as expected and planned.

Measure B shows the overall formal operational surplus 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' 25% or so for 'normal' RP lettings.

Metric 7: Return on Capital Employed (ROCE)

	£m	Exc LGPS £m
Operating (deficit) / surplus (overall)	(0.181)	2.623
Share of operating surplus / (deficit) in joint ventures or associates	-	-
Total	(0.181)	2.623
Divided by		
Total assets less current liabilities	25.098	25.098
Result	-0.7%	10.5%

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.

Value for money (VfM) cont.

Summary

The Board is satisfied with the financial and operational performance of the Company during 2020/21.

Approval

This Strategic Report was approved by order of the Board.



M Ainsley
Chair

29 July 2021



D Enticott
Secretary

29 July 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DERBY HOMES

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of the Company's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Derby Homes Limited ("the Company") for the year ended 31 March 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and notes to the financial statements, including a summary of 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).

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 Board Members' 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 board with respect to going concern are described in the relevant sections of this report.

Other information

The Board Members are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Strategic Report and Report of the Board of Management 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Other Companies Act 2006 reporting

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

- the information given in the Strategic Report and the Report of the Board of Management for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Report of the Board of Management have been prepared in accordance with applicable legal requirements.

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 and Report of the Board of Management.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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 board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the Board Members' responsibilities statement set out on page 10 the Board Members 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 Board Members 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 Board 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 Board 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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 made enquiries of management and the Audit Committee. This included the following:

- how they have identified, evaluated and complied with laws and regulations and whether they were aware of any instances of non-compliance;
- their process for detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- which internal controls have been established to mitigate risks related to fraud or non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. These include, but are not limited to, compliance with Companies Act 2006, the Housing and Regeneration Act 2008, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

In addition, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law and data protection. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Those Charged with Governance and other management and inspection of regulatory and legal correspondence if any.

We considered management's incentives and opportunities for fraudulent manipulation of the financial statements (including revenue recognition and the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Audit response to risks identified


- We reviewed the financial statement disclosures and sample tested to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- We made enquiries of the Audit Committee and management;
- We read minutes of meetings of those charged with governance and the Board;
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; considered completeness of related party transactions; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- We challenged assumptions made by management in their significant accounting estimates in particular in relation to the assumptions related to the valuation of properties held for sale.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located 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 members of the Company, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

EC86A415C4F04E5
Samantha Lifford (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
Date: 09 August 2021

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

Statement of Comprehensive Income Year Ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Turnover	2	45,175	46,815
Operating costs	2	(45,356)	(47,943)
Operating Deficit	4	(181)	(1,128)
Interest payable and similar charges	6	(157)	(160)
Pension finance costs	6	(440)	(832)
Deficit before taxation		(778)	(2,120)
Taxation	7	(28)	(14)
Deficit for the year		(806)	(2,134)
Other comprehensive income for the year			
Actuarial (loss) / gain on defined benefit obligations – pension scheme	8	(20,436)	18,181
Total comprehensive (loss) / gain for the year		(21,242)	16,047

The notes on pages 42 – 64 form part of these financial statements.


Balance Sheet At 31 March 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Housing Properties			
Cost less depreciation		7,266	6,902
Tangible Fixed Assets – Housing		7,266	6,902
Tangible fixed assets - Other		610	806
	9	7,876	7,708
Current assets			
Debtors	11	2,110	7,429
Stock and Work in Progress	12	1,249	1,004
Bank and cash		18,071	15,906
		21,430	24,339
Creditors: amounts falling due within one year	13	(4,206)	(6,857)
Net current assets		17,224	17,482
Creditors: amounts falling due after one year	14	(5,055)	(5,145)
Net assets before pension liability		20,045	20,045
Defined benefit pension liability	8	(40,197)	(18,955)
Net (liabilities) / assets after pension liability		(20,152)	1,090
Reserves			
Defined benefit pension liability reserve		(40,197)	(18,955)
Designated reserves		-	18,345
Revenue reserves		20,045	1,700
Total funds		(20,152)	1,090

These financial statements were authorised and approved by the Board of Directors on 29th July 2021. Signed and dated on behalf of the Board of Directors:


M Ainsley

M Ainsley Date 29/7/21
Chair


D Enticott

D Enticott
Secretary

Date 29/7/21

The notes on pages 42 - 64 form part of these financial statements.

Statement of changes in equity at 31 March 2020

	Pension reserve £'000	Designated reserve £'000	General Reserve £'000	Total Reserves £'000
Balance at 1 April 2019	(32,882)	16,224	1,700	(14,958)
Comprehensive Income for the year				
(Deficit) for the year	-	-	(2,134)	(2,134)
Actuarial gain on defined benefit pension scheme	18,181	-	-	18,181
Other comprehensive income for the year	18,181	-	(2,134)	16,047
Reserves transfers:	-	(2,134)	2,134	-
Total net current service costs of pension scheme	(3,422)	3,422	-	-
Total net interest cost on pension scheme	(832)	832	-	-
Total comprehensive income for the year	13,927	2,120	-	16,047
Rounding		1		1
Balance at 31 March 2020	(18,955)	18,345	1,700	1,090

Statement of changes in equity at 31 March 2021

	Pension reserve £'000	Designated reserve £'000	General Reserve £'000	Total Reserves £'000
Balance at 1 April 2020	(18,955)	18,345	1,700	1,090
Comprehensive Income for the year				
(Deficit) for the year	-	-	(806)	(806)
Actuarial (loss) / gain on defined benefit pension scheme	(20,436)	-	-	(20,436)
Other comprehensive income for the year	(20,436)	-	(806)	(21,242)
Reserves transfers – per Reserves Accounting Policy page 48	-	(18,345)	18,345	-
Total net current service costs of pension scheme	(366)	-	366	-
Total net interest cost on pension scheme	(440)	-	440	-
Total comprehensive income for the year	(21,242)	(18,345)	18,345	(21,242)
Balance at 31 March 2021	(40,197)	-	20,045	(20,152)

Cashflow Statement Year Ended 31 March 2021

	2021 £'000	2020 £'000
Deficit for the year	(806)	(2,134)
Interest payable and similar charges	157	160
Pension finance costs	440	832
Taxation	28	14
Cash flows from operating activities deficit for the financial year	(181)	(1,128)
Adjustments for:		
Depreciation of fixed assets - housing properties	142	131
Depreciation of fixed assets – other	224	221
Loss on disposal of fixed assets – other	21	-
Amortised grant (in year)	(31)	(32)
Difference between net pension expense and cash contribution	365	3,422
Taxation charge	(28)	(14)
Decrease / (Increase) in trade and other debtors	5,319	(2,279)
(Increase) in stocks & work in progress	(245)	(630)
(Decrease) / Increase in trade creditors	(100)	36
(Decrease) / Increase in accruals & other creditors	(2,553)	2,504
Net cash generated from operating activities	2,933	2,231
Cash flows from investing activities		
Purchase of fixed assets – housing properties	(506)	(242)
Purchases of fixed assets – other	(49)	(398)
Receipt of grant	-	50
Net cash used in investing activities	(555)	(590)
Cash flows from financing activities		
Interest paid	(157)	(160)
Repayment of loans – Derby City Council	(56)	(55)
Net cash used in financing activities	(213)	(215)
Net increase cash and cash equivalents	2,165	1,426
Cash and cash equivalents at beginning of year	15,906	14,480
Cash and cash equivalents at end of year	18,071	15,906

Notes to the Financial Statements

Year Ended 31 March 2021

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.

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" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015 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 the 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 2021 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 liability position after the inclusion of pensions liabilities 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 loss this year. The pension scheme continues to be underwritten by Derby City Council.

Notes to the Financial Statements

Year Ended 31 March 2021

The Board on 28 January 2021, approved the operational budget for 2021/22 and in principle future year budgets through to 2024/25. The budgets do plan for a breakeven position for 2021/22 and a small annual surplus thereafter.

Throughout 2020/21 the financial impact from COVID-19 was being monitored. Agreements were made with Derby City Council that the basis for the recharge of the main management fee and capital works recharges would remain unaltered, ensuring that income streams were not reduced. Consequently, it was just additional costs that Derby Homes incurred and these were not material at £0.2m.

Commitment from the owner is evidence by the signing of a new 10-year Partnership Agreement to 2032 (in spring 2022).

With the exception of the pension liability, (which is underwritten by the Council as supported by the Letter of Representation signed by the Councils S151 officer), the balance sheet is fundamentally sound and has strong liquidity from the £18.071m cash at bank holding.

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

Operating Costs

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

Overheads and Administrative Costs

These are allocated across operating cost headings 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.

Notes to the Financial Statements Year Ended 31 March 2021

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.

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 2020/21	de minimis values – 2019/20
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.

Notes to the Financial Statements

Year Ended 31 March 2021

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 2021, no impairments were recognised.

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.

The liability 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.

Notes to the Financial Statements

Year Ended 31 March 2021

Pension costs cont.

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.

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.

Notes to the Financial Statements

Year Ended 31 March 2021

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 2014. 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 2014. 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 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives).

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.

Notes to the Financial Statements

Year Ended 31 March 2021

Reserves

At March 2020, there was a General Reserve of £1.7m, which represented a small contingency reserve and a larger Designated Reserve of £18.345m. The Designated Reserve was intended to subsidise investments in new build homes where Derby Homes are the substantive owner. The intention was to use these funds to meet any revenue shortfall in the initial years of any new investment above that budgeted for and / or cover any immediate impairment charge that may arise on the properties.

As Derby Homes is currently not purchasing or building many homes in our own name, the Board have agreed that the Designated Reserve be merged back into the General Reserve to allow the Board more flexibility to sustain different policies should that be a better fit with overall Board and Council objectives. As a result, there is now one single reserve of £20.045m.

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 £2.5m received in respect of housing properties held at 31 March 2021 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 £2.227m at March 2021. 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 2021, would be £1.67m plus interest.

Key Judgments 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.

Notes to the Financial Statements

Year Ended 31 March 2021

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 2021

2. Particulars of turnover and operating costs

All works were undertaken within the United Kingdom.

2021	Turnover £'000	Operating Costs £'000	Operating Surplus / (deficit) £'000
Social housing lettings (Note 3)	479	322	157
<u>Other Social Housing Activities</u>			
Management & maintenance of Derby City Council housing stock	30,384	29,075	1,309
Capital works to Derby City Council housing stock	9,594	9,962	(368)
Development work on Derby Homes and Derby City Council properties	96	349	(253)
Social Housing Grant recognised (Note 3)	32	-	32
Housing management and / or maintenance to other Landlords properties	568	619	(51)
<u>Activities other than Social Housing Activities</u>			
Maintenance of DCC public buildings and management of homeless hostel and other activities	4,022	5,029	(1,007)
	45,175	45,356	(0.181)

2020	Turnover £'000	Operating Costs £'000	Operating Surplus / (deficit) £'000
Social housing lettings (Note 3)	472	328	144
<u>Other Social Housing Activities</u>			
Management & maintenance of Derby City Council housing stock	30,152	30,138	14
Capital works to Derby City Council housing stock	10,805	10,803	2
Development work on Derby Homes and Derby City Council properties	90	408	(318)
Social Housing Grant recognised (Note 3)	32	-	32
Housing management and / or maintenance to other Landlords properties	913	939	(26)
<u>Activities other than Social Housing Activities</u>			
Maintenance of DCC public buildings and management of homeless hostel and other activities	4,351	5,327	(976)
	46,815	47,943	(1,128)

Notes to the Financial Statements

Year Ended 31 March 2021

3. Social Housing Lettings – General Needs properties

	2021 £'000	2020 £'000
Rents (net of void loss)	430	420
Service charge income	41	43
Other income	7	9
	478	472
Amortised government grant	32	32
Turnover from social housing lettings	510	504
Expenditure		
Housing Management	61	60
Service Charge related costs	41	43
Routine Maintenance	64	80
Property insurance	7	9
Other supplies & services	8	6
Depreciation	141	130
Operating Expenditure on social housing lettings	322	328
Operating surplus on Social Housing lettings pre interest charges	188	176
Void losses	4	3

Interest paid on property loans in 2020/21 was £157,000 (2019/20 £160,000). Any subsidy on social housing, in the early years of new properties, is consistent with the long-term business plan.

4. Operating deficit

	2021 £'000	2020 £'000
The operating deficit is stated after charging:		
Depreciation - annual charge housing properties	142	131
Depreciation - other tangible fixed assets	224	221
Loss on disposal of fixed assets	21	-
Auditor's remuneration:		
- audit services	25	22
- tax services	1	1
- other non-audit services	1	1
Defined benefit pension cost (per note 5)	5,163	6,345

Notes to the Financial Statements

Year Ended 31 March 2021

5. Information regarding directors and employees

Directors and executive officers' emoluments are as shown below.

	2021	2020
	£	£
Directors' emoluments		
Chair of Derby Homes – M Ainsley	8,843	8,754
Chair of Governance Committee – J Shepherd	3,217	3,217
Vice Chair of Derby Homes – RGH MacDonald	4,022	4,022
Audit Committee Chair – IM MacDonald	3,217	3,286
	19,299	19,279

Executive Officers' emoluments

During the period there were four permanent executive officers.

These executive officers are listed on page 2.

	2021	2020
	£'000	£'000
Basic Salary	401	390
Employers National Insurance	52	51
Pension contributions	58	82
	511	523
Emoluments paid to the highest paid executive officer	126	122
Pension contributions – highest paid executive officer	18	25
	144	147

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.

Notes to the Financial Statements

Year Ended 31 March 2021

Average number of persons employed (full time equivalents)

	2021 Number	2020 Number
Housing management	290	283
Central services and regeneration	19	17
Maintenance and repairs	255	259
	564	559

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

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

	2021 £'000	Restated 2020 £'000
Wages and salaries	15,804	14,911
Social security costs	1,495	1,409
Pension	5,163	6,345
	22,462	22,665

The pension cost relates to the current and past service costs. The 2020 charge previously included the net interest on net defined liability cost. This £0.832m has now been removed from 2020 figure.

Salary bandings for all employees earning over £60,000

	2021 Number	2020 Number
£60,000 to £70,000	3	1
£70,001 to £80,000	-	-
£80,001 to £90,000	-	3
£90,001 to £100,000	3	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	1	1
	7	5

6. Interest payable and similar charges

	2021 £'000	2020 £'000
Loans from Derby City Council	157	160
Net interest on net defined benefit liability	440	832

Notes to the Financial Statements

Year Ended 31 March 2021

7. Taxation

	2021 £'000	2020 £'000
Current tax for the year	<u>28</u>	<u>14</u>
	28	14
Factors affecting tax charge for year	2021 £'000	2020 £'000
The tax assessed for the year is lower than (2019/20: lower than) the standard rate of corporation tax in the UK of 19% (2019/20: 19%). The differences are explained below:		
Deficit before taxation	<u>(778)</u>	<u>(2,120)</u>
Deficit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(148)	(403)
Effects of:		
Non-taxable income and deductions	176	417
Total tax charge for the year	<u>28</u>	<u>14</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 (2019/20: 0%).

Notes to the Financial Statements Year Ended 31 March 2021

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 £4,797,000 (2019/20 - £2,923,000). The 2020/21 payment is inclusive of a £2,438,000 prepayment of expected 2021/22 employer contributions.

The minimum contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. This was set at 13.4% for 2017-2020. Derby Homes contributed in those years at a higher rate of 20.9% reflecting the estimated underlying cost. The Actuary completed a triennial valuation as at 31 March 2019. The funding level at that point had increased to 106%, resulting in a minimum required contribution level of 14.4% plus a sum of £290,000 a year for this current 2020/21 year and the subsequent next two years.

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.

The Company expects to contribute around £2.4m to its defined benefit pension scheme in 2021/22, this was prepaid during 2020/21 with the aim of the monies attracting greater investment returns in the pension scheme rather than in company bank accounts.

The employer contribution rate planned for 2021/22 is 14.4% plus £290,000 (2020/2021 – 14.4%, plus £290,000).

At the year-end there was £82,000 employee contributions due for March 2021. These were paid in April 2021 (2019/20 - £Nil). All employer contributions have been paid (2019/20 - £Nil). At the year-end there is a prepayment of employer contributions of £2,438,000 (2019/20 - £Nil), this is included within the £40.197m deficit figure.

Notes to the Financial Statements Year Ended 31 March 2021

The most recent valuation of plan assets and the present value of the defined benefit obligation were carried out at 31 March 2021 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 31/03/19.

	Valuation at	
Key assumptions used:	2021	2020
	%	%
Discount rate	2.05	2.3
Expected rate of salary increases	3.5	2.5
Future pension increases	2.8	1.8

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:

	2021	2020
	Years	Years
Male	21.3	21.6
Female	23.9	23.7

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

Male	22.5	22.6
Female	25.8	25.1

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

	Change in assumption	Overall impact on Employers liability	Approx. monetary amount £m
Discount rate	Decrease by 0.5%	Increase by 12%	17.382
Salary Increase Rate	Increase by 0.5%	Increase by 2%	2.406
Pension Increase Rate	Increase by 0.5%	Increase by 10%	14.567

Notes to the Financial Statements

Year Ended 31 March 2021

Reconciliation of present value of plan liabilities	2021 £'000	2020 £'000
At the beginning of the year	(99,228)	(115,334)
Current service costs	(5,130)	(6,345)
Past service costs	(33)	-
Interest costs	(2,333)	(2,843)
Plan participants contributions	(974)	(905)
Benefits paid	1,560	1,465
Changes in financial assumptions	(34,660)	13,553
Changes in demographic assumptions	(1,910)	4,412
Other experience	825	6,769
	<hr/>	<hr/>
At the end of the year	(141,883)	(99,228)
	<hr/>	<hr/>
Reconciliation of fair value of plan assets	2021 £'000	2020 £'000
At the beginning of the year	80,273	82,452
Interest income on plan assets	1,893	2,011
Plan participants contributions	974	905
Contributions made	4,797	2,923
Benefits paid	(1,560)	(1,465)
Return on assets excluding amounts included in net interest	15,309	(6,553)
	<hr/>	<hr/>
At the end of the year	101,686	80,273
	<hr/>	<hr/>
	2021 £'000	2020 £'000
Fair value of plan assets	101,686	80,273
Present value of plan liabilities	(141,883)	(99,228)
	<hr/>	<hr/>
Net pension scheme liability	(40,197)	(18,955)
	<hr/>	<hr/>

Notes to the Financial Statements

Year Ended 31 March 2021

Amounts recognised in other comprehensive income are as follows:	2021 £'000	2020 £'000
Included in administrative expenses:		
Current service costs	5,130	6,345
Past service costs (including curtailments)	33	-
	<u>5,163</u>	<u>6,345</u>
 Amounts recognised in other finance costs		
Net interest costs	<u>440</u>	<u>832</u>
 Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income		
Return on assets excluding amounts included in net interest	15,309	(6,553)
Changes in financial assumptions	(34,660)	13,553
Changes in demographic assumptions	(1,910)	4,412
Other experience	825	6,769
	<u>(20,436)</u>	<u>18,181</u>
 Composition of plan assets	2021	2020
Equities	63%	60%
Bonds	23%	25%
Property	8%	9%
Cash	6%	6%
	<u>100%</u>	<u>100%</u>
	2021 £'000	2020 £'000
Actual return on plan assets	<u>17,202</u>	<u>(4,542)</u>

Notes to the Financial Statements Year Ended 31 March 2021

9. Tangible fixed assets

	Social Housing Properties Held for letting £'000	Motor Vehicles £'000	Total £'000
Cost			
At 1 April 2020	7,712	2,762	10,474
Additions	506	49	555
Disposals	-	(103)	(103)
At 31 March 2021	8,218	2,708	10,926
Depreciation			
At 1 April 2020	810	1,956	2,766
Disposals	-	(82)	(82)
Charge for the year	142	224	366
At 31 March 2021	952	2,098	3,050
Net book value			
At 31 March 2020	6,902	806	7,708
At 31 March 2021	7,266	610	7,876

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 51 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 2021

10. Expenditure on works to existing properties

	2021 £'000	2020 £'000
Amount capitalised	-	-
Amount charged to income and expenditure account	64	80
	64	80

11. Debtors: amounts falling due within one year

	2021 £'000	2020 £'000
Rent and service charge arrears	15	15
Less: Provision for doubtful debts	(11)	(11)
	4	4
Amounts due from parent Company	1,096	6,796
Trade debtors	815	409
Social Housing Grant	25	25
Other Debtors\Prepayments and accrued income	170	195
	2,110	7,429

12. Stocks and Work in Progress

	2021 £'000	2020 £'000
Raw materials and consumables	462	399
Work in Progress	787	605
	1,249	1,004

Notes to the Financial Statements Year Ended 31 March 2021

13. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owing to parent Company	806	3,460
Loans due to parent	59	56
	865	3,516
Deferred capital grant – note 15	31	32
Trade creditors	1,161	1,261
Corporation tax	25	21
Other taxation and social security	665	549
Sinking Fund balances	92	86
Accruals and deferred income	1,367	1,392
	4,206	6,857

Included within the Amounts owing to parent Company is £0.059m (2019/20 £0.056m) relating to property loans.

14. Creditors: amounts falling due after one year

	2021 £'000	2020 £'000
Deferred Capital grant – note 15	2,196	2,227
Amounts owing to parent Company – New Build Loan	2,859	2,918
	5,055	5,145
Loan Repayments are due as follows:		
Between 1 and 2 years	61	59
Between 2 and 5 year	201	192
In more than 5 years	2,597	2,667
	2,859	2,918

Included within the creditors falling due after more than 1 year is a loan of £1.043m (2019/20 - £1.052m) charged at 5.06% interest rate and a loan of £0.096m (2019/20 - £0.104m) charged at 6% interest rate. Other loans relating to the development at Chesapeake (at 4.05%) have £0.179m (2019/20 - £0.186m) outstanding over one year and £1.541m (2019/20 - £1.576m) 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 2021

15. Deferred Capital Grant

	2021 £'000	2020 £'000
At 1 April	2,259	2,241
Grants received in year	-	50
Released to income in year	(32)	(32)
At 31 March	<u>2,227</u>	<u>2,259</u>

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.

Notes to the Financial Statements Year Ended 31 March 2021

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.

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 Derby Homes paid a £19,726 grant (2019/20: £12,140) to DACP Ltd, a voluntary organisation for tenants, community groups and other partner agencies. Robert MacDonald, a Director of Derby Homes was also a Board Member and Chair of the DACP until 30th October 2020.

Maria Murphy is also a Board Member with Social Landlords Crime & Nuisance Group – trading as Resolve Antisocial Behaviour. During the year services totalling £1,400 (2019/20: £5,387) were procured at arm's length and on commercial terms.

Derby Homes supplied at arm's length and on commercial terms £13,052 (2019/20: £15,141) minor building repair works to Lees Brook Community School, Derby. Mike Ainsley, Chair of Derby Homes is also a governor at the school.

18. Operating Leases

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

	2021	2020
	£'000	£'000
Amounts due less than 1 year	88	88
Between 2 and 5 years	46	134
Over 5 years	-	-
	134	222

Notes to the Financial Statements Year Ended 31 March 2021

19. Accommodation in Management and Development

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

	2021	2020
General Needs Housing		
- Social Rent	38	33
- Affordable Rent	61	61
- Intermediate Rent	3	1
- Market Rent	5	5
Total owned	107	100
Accommodation managed for others	12,746	12,835
	12,853	12,935
Shared Ownership managed for others	65	66
Leaseholders managed for others	653	649
Total owned and managed accommodation	13,571	13,650

Properties managed on behalf of other organisations were:

	2021	2020
Derby City Council - HRA	12,659	12,757
The Guinness Trust	33	33
War Memorial Village (Derby) Ltd	54	45
	12,746	12,835

20. Net debt reconciliation - Year ended 31 March 2021

	1 April 2020 £'000	Cash flows £'000	Acquisition & disposal of subsidiaries £'000	New finance leases £'000	Other non-cash changes £'000	31 March 2021 £'000
Cash at bank and in hand	15,906	2,165	-	-	-	18,071
Short term loans	-56	56	-	-	-59	-59
Long term loans	-2,918	-	-	-	59	-2,859
Net assets	12,932	2,221	-	-	-	15,153