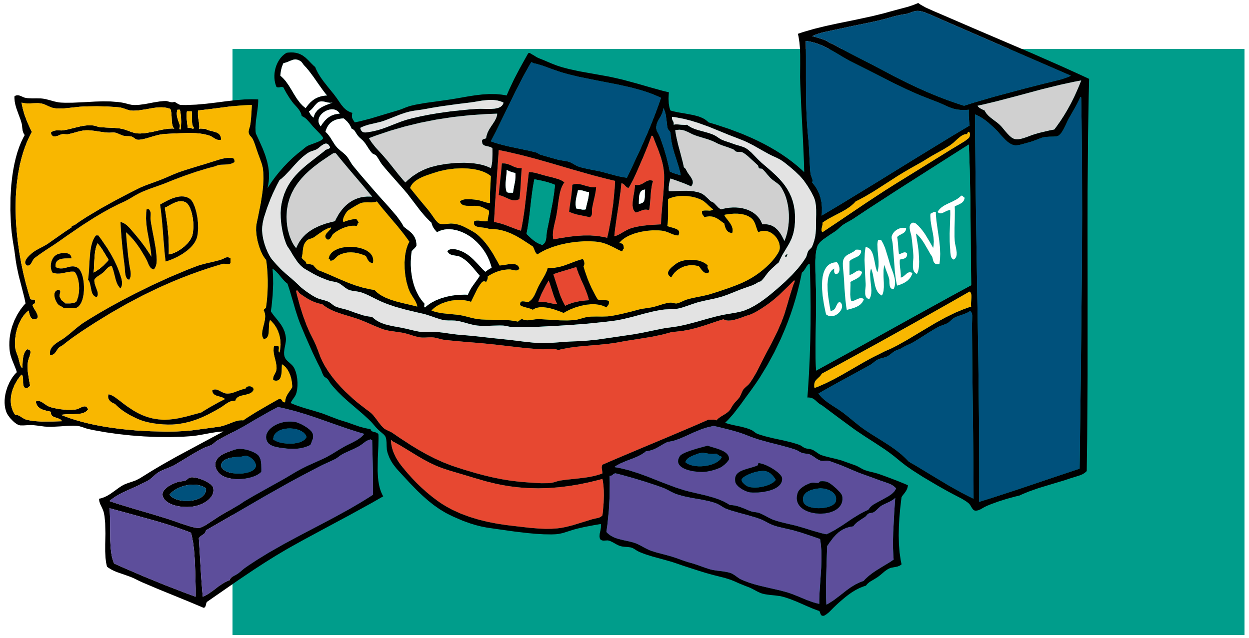
thirteen

Managing and building homes

Annual Report and Financial Statements 2019 - 20

Contents



About us

Formed in July 2017, bringing together Erimus Housing, Housing Hartlepool, Tees Valley Housing, Tristar Homes and Thirteen Care and Support, Thirteen is a strong social purpose not for profit housing association.

Our 1,600 colleagues provide services for more than 70,000 customers across Teesside and other areas of the North East and Yorkshire. We now own over 34,000 properties.

Our reason for being is to provide good quality homes and support for those in housing need. We provide support for anyone who needs a little help: help to get on the housing ladder, help to pay the rent, help to keep their home in good repair.

As well as property for rent, we have a track record of providing homes for outright sale, shared ownership and deferred sale. By 2025, we also have plans to build over 3000 new homes, investing over £1bn in improving our services, tenants' homes and their neighbourhoods.

In 2018, Thirteen Homes acquired Gus Robinson Developments to help deliver high quality homes in the region. In addition to delivering homes for sale, Gus Robinson will also deliver affordable housing schemes and specialist housing projects on behalf of Thirteen.

Thirteen provides customers with homes, support and opportunities to grow.

£1.1b
Total Group Fixed Assets

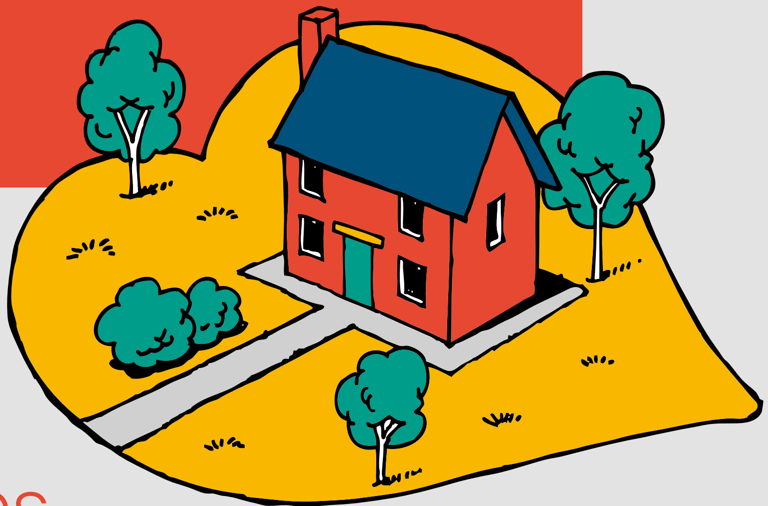
G1/V1
Regulatory Rating

We work with
19
Local Authorities

Our vision

We provide homes, support and opportunities to grow.

We're here for anyone who needs a home and maybe a helping hand too.



Our priorities

- Great customer experience
- Delivering quality places to live and improving neighbourhoods
- Being Team Thirteen

Our core services

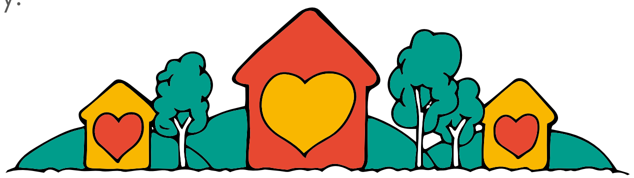
- Homes for rent
- Shared ownership
- Market sale – Thirteen Homes
- Looking after our homes
- Improving neighbourhoods
- Environment improvements
- Anti-social behaviour
- Bespoke residential services
- Building new homes
- Building contractor – Gus Robinson Developments

A helping hand

- Preventing homelessness
- Gaining employment
- Apprenticeships
- Money management
- Support to stay
- Volunteering
- Domestic abuse
- Refuges
- Universal Credit
- Resettling refugees

Our mission

- We are a caring landlord and housing developer.
- We're about investing in neighbourhoods and making a major contribution to the regeneration of the Tees Valley.



Our Values

- Considerate
- Smart
- Progressive

Independent living services

- For younger people
- Leaving care
- Teenage parents and young families
- Profound learning disabilities
- Older people
- Supported living
- Sheltered housing
- Extra care housing

Chair's Introduction

George Garlick
Chair of Thirteen Housing Group

Last year was very positive for Thirteen with strong improved operational performance although has ended with a deal of uncertainty. The Covid-19 pandemic has presented society with challenges. The spread of coronavirus meant we had to rapidly adapt and thankfully our investment in ICT and agile ways of working has meant that we have managed well for our customers.

Last year we delivered on our priorities and key promises making service improvements and concentrating on key projects as part of our three business priorities, much of which is detailed later in this report. We continue to be really committed to our main purpose at Thirteen – being a great housing association - and our customers are once again telling us that's what we're living up to, with 91% saying their rent provides value for money.

We've continued with our robust approach to fire safety and following our work to replace the partial aluminium composite material (ACM) cladding at our Kennedy Gardens high-rise in Billingham last year, we've added fire suppression systems to seven of our high-rise buildings.

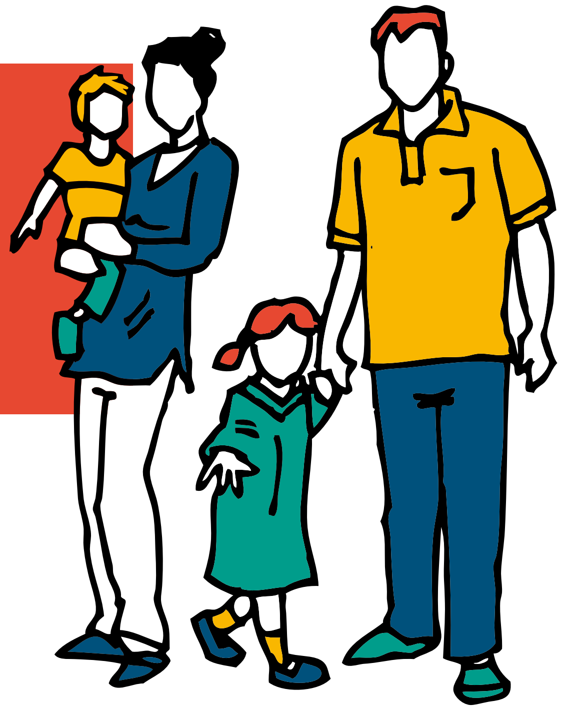
We've continued to invest (and sometimes disinvest) in our existing homes and improve neighbourhoods. We've been expanding the supply of new homes. Our partnership with Homes England to bring affordable homes to the North East is going from strength to strength. We're pleased Thirteen Homes, the private market for sale arm of Thirteen, started work on its first housing development. This will see 300 new homes across the North East for outright sale, part exchange and help to buy over the next five years.

Over the next five years, we'll be investing over £1bn into improving homes for existing customers, building new homes, making improvements to neighbourhoods and into the support services we offer for our customers.

All this is delivered by our team of committed and talented colleagues, led by a dedicated team of Board directors and Committee members. They are all passionate about what they do and thrive on making a difference to the customers they serve, both internal and external. None of our achievements would have been possible without them.

I look ahead to what will be a very different and challenging year alongside colleagues who have the strength, capacity and ambition to deliver what our customers need whilst our operating context continues to change.

"Over the next five years, we'll be investing over **£1bn** into improving homes"



Group Chief Executive's Report

Ian Wardle
Group Chief Executive

> We've continued to listen and respond to customers, colleagues and partners to ensure what we do is right

Keeping our customers, colleagues, and communities safe is always our first priority so, as ever, I am proud of all our colleagues who've worked incredibly hard, ensuring residents and communities have all the support they need during the year and more recently with the pandemic.

Last year we consolidated and embedded many of the changes we made to our operations and structure during 2018. This gave us a robust foundation to make strong operational improvements through the year. Our year-end performance was strong. We have met and exceeded the majority of the targets set by the Board in the Strategic Plan although a few have narrowly missed the target. Financial metrics remain strong.

We've continued to listen and respond to customers, colleagues and partners to ensure what we do is right and some of that is highlighted in the report. Building on customer feedback, we've introduced Touchpoints, our new customer experience, which means customers can have access to us wherever, whenever and for whatever they need. If people prefer to chat face-to-face or over a cuppa, then we'd love to welcome you to our new, prime location, state of the art, high street store on Stockton High Street which opened in August, while adhering to social distancing guidelines.

We've also been working very hard over the last year to implement My Thirteen, which has come about as customers told us they wanted to manage their account in a more user-friendly and consistent way, meaning an even better customer experience with us. My Thirteen is our new digital platform which will give customers 24/7 access to all things Thirteen, giving them control of how and when they can access our homes and services. Every customer can enjoy an easy to use account with everything in one place. We hope they'll love it!

The Government's extension to the Affordable Homes Programme, which is larger than the last programme, is a sign of considerable confidence and we are keen to continue to grow our development programme to deliver more homes.

We were proud to welcome Gus Robinson to the Thirteen group family. Over the last year they've played a significant role in the development of Thirteen's housing offer. Having Gus Robinson as part of our group ensures we have the right skills, expertise, and capacity to deliver our development strategy as well as become more efficient.

Thirteen Homes, the private market for sale arm of Thirteen has started work on its first development at Howards Green in Darlington. This is a new chapter, and we are not stopping there, as Howards Green is just the start. We already have other developments in the pipeline and hope to start on our second development later this year.

After all the hardwork to improve some of our operations we were pleased to see overall satisfaction improve, with 91% of customers saying their home provides value for money. We know there is still more we can do, and look forward to building on this next year.

Everything Safe

Making sure everything we do is carried out legally and safely is always top of our list. We continue to enhance fire safety in high-rise and low-rise blocks, including our ongoing campaign to raise awareness of how our customers can make sure they stay safe in their homes. We added fire suppression systems to seven of our high-rise buildings. Two of these in Hartlepool and Stockton are complete. Work is almost complete on the remaining five, and these will shortly be commissioned. Last year also saw us recruit a specialist relocation team, who now only have a handful of customers to relocate from the five high-rise blocks we identified for demolition, which is a fantastic achievement.

We've established a fire safety forum with representation from all areas of the business and Thirteen's compliance area manager and building safety manager attended the National Compliance Peer Group to share best practice and adopt new ways of work.

Tenants, Customers and Clients

We reach out to some 70,000 people. They're at the centre of what we do, and that's why it's vital to hear their voice and not just listen to, but also respond to any issues raised. Our customer involvement framework is an integral part of this as it encourages even more customers to have a say and hold us to account, and this is key to us creating each year's strategic plan.

We are early adopters of the NHF Together with Tenants initiative, and we're working with other housing providers in the North East to develop a North East Tenants Voice.

We're pleased to have received a Compliance Plus accreditation in our recent Customer Service Excellence assessment. We've also had recognition from TPAS and others, culminating in us being shortlisted in the Outstanding Tenant Engagement category at the national TPAS Awards 2020.

You said, we're doing

A look at the last 12 months

They said:

Customers told us they wanted to be able to manage their account in a more user-friendly and consistent way, improving their customer experience.

We're doing:

We've listened to what customers have to say, and building on Touchpoint, we've created a new and exciting digital experience called My Thirteen where they'll be able to update their details, make a payment, check their account, book a repair and much more

They said:

Customers told us they wanted to be more involved in monitoring and improving Thirteen's performance and services.

We're doing:

We've introduced a framework to make it happen. It's called BRICKS, and it sets out what opportunities there are for customers to get involved:

- Build relationships
- Review services
- Interact with all areas of our business
- Consult with customers and stakeholders
- Knowledge gained and shared
- Share findings and recommendations.

They said:

Customers told us they wanted a closer relationship with our teams.

We're doing:

We've introduced an operating model that puts neighbourhoods at the heart of our business, so we know our areas and the people in them even more.

They said:

Customers told us they wanted us to build more affordable homes.

We're doing:

Last year, we built 419 new homes across the Tees Valley and beyond to rent or buy.

Group Chief Executive's Report (continued)

Our people

At Thirteen, our people are the driving force behind everything we do. Without them, we wouldn't be able to meet our customers' needs and aspirations, and that's why we've been working hard to create an environment where it's easy for our colleagues to be the best versions of themselves at work, and have a great day at work, every day.

During the year, we've focused on developing our leadership capacity, succession planning and we've made some great additions to our staffing structure that will help get the best out of colleagues and help take us on our journey.

We've continued to build on our strong network of mental health advocates to help us better understand the issues our colleagues might face. This has been really well received by colleagues and is going from strength to strength. Our colleague net promoter score has risen significantly.

I feel very proud to be part of Thirteen – without our dedicated colleagues and committed board directors, Thirteen wouldn't be the organisation it is.

We've continued to build on our strong network of mental health advocates to help us better understand the issues our colleagues might face.

Financial Summary

The Group delivered a strong financial performance during 2019/20, recording a surplus of £20.0m (2019: £23.1m). Whilst this is lower than in previous years, this after accounting for an impairment charge on redundant housing stock and the revaluation of offices to commercial property. Without these two accounting adjustments, the underlying surplus for the year is £31.1m. The financial environment in which Thirteen operates continues to be challenging with the final year of the 1% rent reduction whilst continuing our commitment to service and asset improvement. Despite financial pressures on our customer base and continuing competition from the private sector, we achieved our target to reduce rent arrears and made excellent progress in the reduction of empty properties available to let.

Despite the 1% rent reduction, turnover for the Group increased by 2.9% to £185.7m (2019: £180.3m). This growth can be attributed to the ongoing delivery of new homes, both for rent and sale, and a full year impact from our subsidiary, Gus Robinson Developments.

We remain fully loan compliant and retain our G1 and V1 rating, as assessed by the housing regulator, the highest rating achievable, confirming our continuing culture of strong governance, financial viability and sound financial management arrangements.

Operational Performance

Performance during 2019/20 continued to build on our previous successes and showed a steady improvement:

- Repairs completed at first time increased to 98.3% and met the target of 98%
- Overall satisfaction with the repair service increased from 81.5% to 83.7% and the monthly satisfaction index was above target by 1.7% at 91.7%
- The average time to complete a repair continues to reduce year-on-year, reducing to 7.8 days
- All homes had an up-to-date gas safety certificate
- Customer satisfaction with the quality of their home fell by 3.1% to 88.3% but was still higher than our target of 87%
- Total arrears fell over the year. Between April 2019 and March 2020, cash collected was £4.6m higher than the previous year – an increase of 3.4%
- Last year there were 1,080 fewer customers in rent arrears, meaning that by the end of the last financial year we had reduced the number of customers in rent arrears by 7%
- We have increased the amount of rent collected from former customers by 18% to nearly £454,000, and there has been a reduction in the amount of current debt moved to former arrears by 11.5%
- We've increased telephone contact with customers to talk about rent arrears by almost 2,800 calls over the last year; text messaging has increased by 82%; payments by telephone have increased by 40% and new direct debits increased by 45%
- All these positive achievements have led to fewer legal actions and we have reduced the number of notices to seek possession by 16%, helping to both reduce costs for the business and reduce stress and worry for the customer
- We've helped put more than £3.7m back into customers' pockets through money advice services and helped over 694 people into jobs and training
- We completed development of 419 new affordable homes and have a further 867 under contract
- All complaints have been responded to and resolved within our target of five days
- The delivery of £42.7m of investment work to existing homes, including new windows and doors for 991 households, 1,754 new boilers, 147 new kitchens and 1,179 new roofs, and £1.6m on adaptations to help tenants remain in their homes
- The colleague net promoter score has increased significantly from +16 to +39 against our target of +18.

Ian Wardle

Group Chief Executive of Thirteen Housing Group Limited

Highlights of the year

	2019/20	2018/19	2017/18
Turnover	**£186m** ↑	**£180m**	**£160m**
Operating surplus	**£37.6m** ↑	**£34.8m**	**£40.6m**
Operating margin (social housing lettings)	**28.9%** ↑	**25.7%**	**29.1%**
Operating margin (overall)	**18.7%** ↑	**17.7%**	**24.4%**
EBITDA-MRI margin	**18.5%**	**24.0%**	**32.5%**

> “The Group delivered a strong financial performance during 2019/20, recording a surplus of £20.0m”

Investment cashflow

£79m
Spent on maintaining and improving existing homes

£52m
Spent on building new homes

£22m
Net operating cashflow after interest

419
New homes built
(Target: 400)
2018/19: 400

£147m
Investment in development pipeline (under contract)

27
Developments on site building new affordable homes

Gearing

24.0%
2019/20

23.3%
2018/19

24.8%
2017/18

Cash efficiencies

£5.2m
2019/20

£2.4m
2018/19

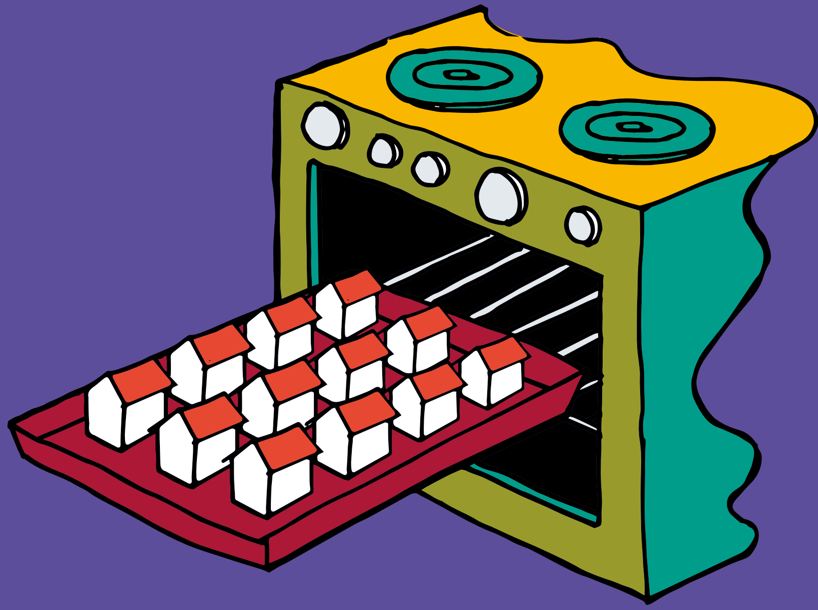
£6.6m
2017/18

What our customers think

89%
Overall customer satisfaction
2018/19: 87%

83%
Overall customer satisfaction with repairs and maintenance
2018/19: 81%

53.1
Customer eNPS score
2018/19: 49.6



"We completed 419 new affordable homes and have a further 867 under contract"

Highlights of the year

What our customers think

89% ★ ↑

Overall customer satisfaction

2018/19: 87%

83% ★ ↑

Overall customer satisfaction with repairs and maintenance

2018/19: 81%

53.1% ↑

Customer eNPS score

2018/19: 49.6%

Support for customers

729

Customers into jobs and training

2,300

Major and minor adaptations to customer homes

1,815

Customers helped through care and support services

£2.2m

Additional benefits gained for customers

£2.8m

Additional Universal Credit gained for customers

£57m

Invested in the Tees Valley economy through our spending on staff and suppliers, an increase of c£9m over last year

20,346

Welfare calls through the pandemic lockdown period

3,358

Customers helped with money advice and universal credit applications through the pandemic lockdown period

6,735

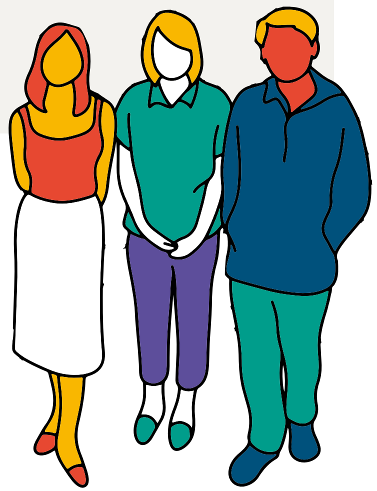
Emergency repairs through the pandemic lockdown period

What our colleagues think

✓ **+39** ↑

eNPS (colleague net promoter score)

2018/19: +16



The Thirteen roadmap

Hartlepool

Ten sheltered and extra care schemes for older people
Six bespoke schemes
A scheme supporting homeless young families

Stockton

Seven sheltered and extra care schemes for older people
Three schemes supporting people with learning disabilities

Middlesbrough

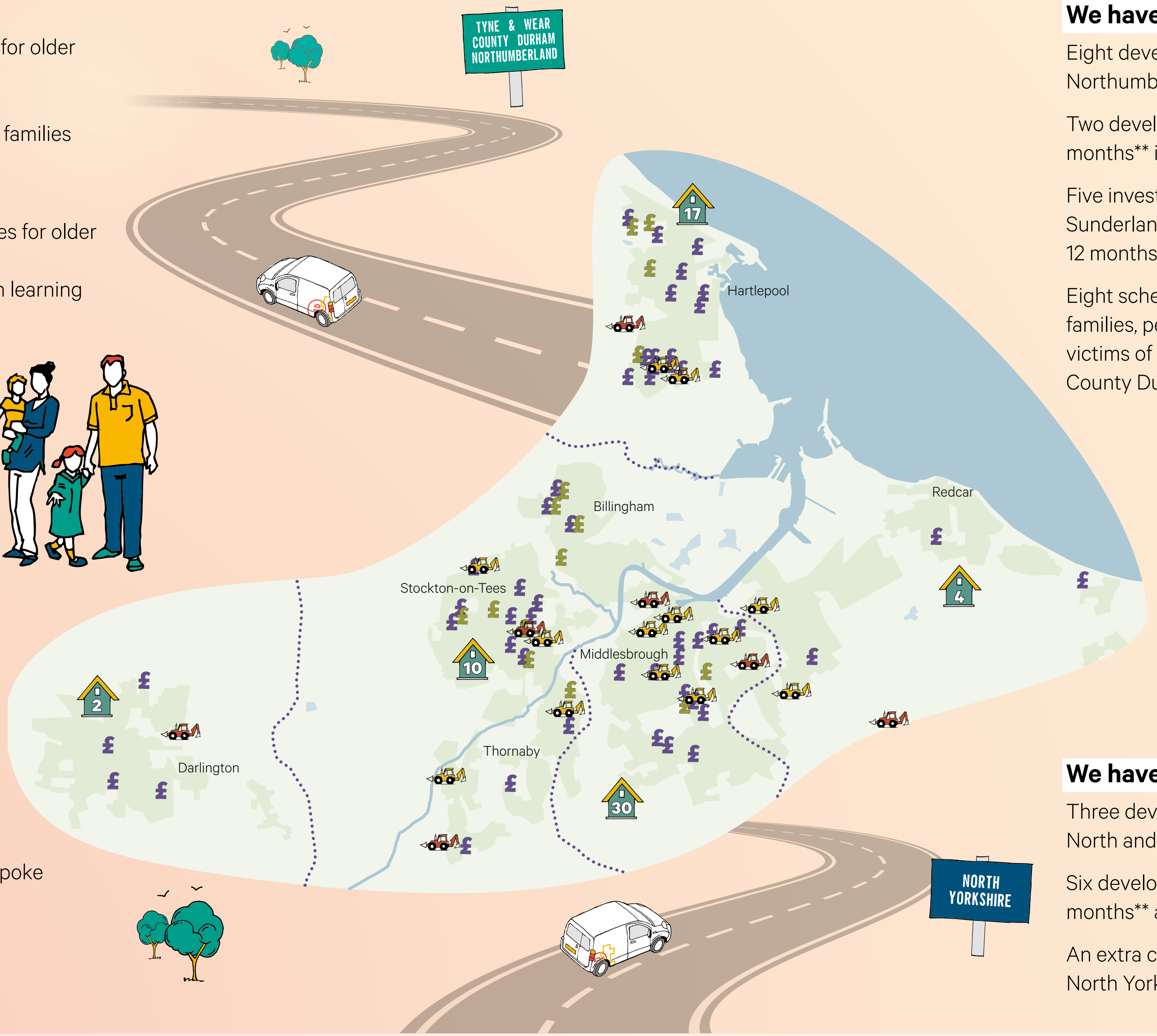
26 sheltered and extra care schemes for older people
A scheme supporting homeless young families
A specialist support scheme for people with learning disabilities
Two bespoke schemes

Redcar and Cleveland

One sheltered scheme and one extra care scheme for older people
A scheme to support young people and a scheme to support refugees

Darlington

A specialist support scheme and a bespoke scheme



Map for illustration purposes only

We have:

Eight developments on site in areas including Northumberland, Tyneside and County Durham

Two developments due to start within the next 12 months** in Tyne and Wear

Five investment projects due to start in Sunderland and County Durham within the next 12 months**

Eight schemes supporting older people, young families, people with learning disabilities and victims of domestic abuse in Tyne and Wear and County Durham

We have:

Three developments currently on site in North and West Yorkshire

Six developments due to start within the next 12 months** across North Yorkshire

An extra care scheme in Sowerby, North Yorkshire

Key

- Housing developments currently on site
- Housing developments due on site within 12 months**
- Investment works currently on site
- Investment works due on site within 12 months**
- Our support schemes and the number of each, per local authority area

** Dates may be subject to change

The 2020 Thirteen Stakeholder Perceptions Survey Results

50 key partners were invited to talk confidentially to an independent research company about what they thought about Thirteen and its services. The last survey was in 2017. This survey was completed in January/February 2020. A wide range of stakeholders were involved although responses were consistent.

Collaboration

A key perception of Thirteen is our willingness and ability to collaborate well with others in the sector. The most commonly cited strength from the 2017 survey continues to be the same in 2020 – our willingness to share. Thirteen is seen as helpful and generous in sharing knowledge and experience.

Ambition

Thirteen is perceived as an ambitious and innovative housing provider evidenced in our growth, the ambitious projects, looking to expand, operating in challenging areas as well as the targets in our strategic plan. People see our deep-rooted ambition for the communities we serve.

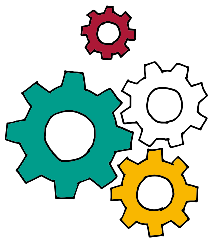
Many partners are aware of key developments since 2017, including the Homes England partnership, development and regeneration and a £1billion investment, although more could be done to boost awareness and knowledge, especially of the neighbourhood operating model.

The 2020-25 Strategic Plan was well received by stakeholders, demonstrating clear and ambitious plans. Many would like to see updates on progress.

Innovation

More significant than 2017. Thirteen seen as 'ahead of the game' and 'forward thinking' due to our appetite to try things to provide improved services for tenants. Seen as continually looking to improve so we can deliver the best services for tenants.

Range of operations

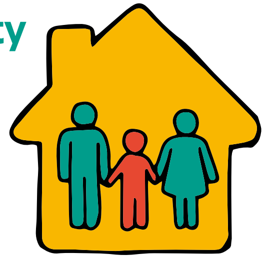


In 2020, stakeholders perceive Thirteen to have emerged from our transition period in 2017-19. Feeling we have diversified well - with tenants still at the core of our values. Undertaking new services including private housebuilding alongside our social conscience. There is acknowledgement of Thirteen's variety of services in both social and commercial contexts. A few expressed concern of Thirteen moving away from social purpose alongside growth.

Customer engagement

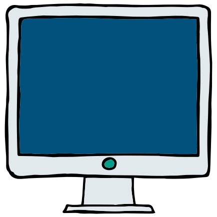
Strong tenant engagement. Thirteen is seen as passionate about tenants and treats them well. Always looking to improve services.

Community focused



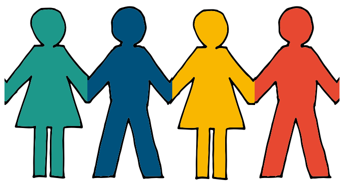
Thirteen is seen as community focused with a social conscience. Thirteen is seen to do work that goes beyond the bricks and mortar addressing the needs of the local community. We are seen as embedded and present in the community being supportive of needs.

Culture and employee engagement



This was an area for improvement from the 2017 survey. Partners said it has improved and is now a perceived strength. Seen as ahead of the game. Many commented on staff strategic alignment. In 2017 stakeholders felt Thirteen was still in a period of transition and had not yet stabilised. Now, Thirteen is seen as cemented and an exemplar. Culture is seen as really settled.

Relationships



Relationships with Thirteen are generally healthy, and getting stronger over time. Strong brand and branding. Open and honest. Positive and healthy. Thirteen key contacts are responsive. Willingness to engage and collaborate. Some relationships with Local Authorities could be nurtured.

Action points

- **Re-energise connections with some local authorities**
- **Produce bi-annual updates to key partners to evidence delivery and follow-through**
- **Promote work on property compliance**
- **Open-up discussions with partners about future plans**
- **Build on our visibility in the sector**
- **Increase awareness of Thirteen's efforts to influence policy makers in London**

Strategic Report

Review of 2019/20

Financial review

The Group delivered a strong financial performance during 2019/20, recording a surplus of £20.0m (2019: £23.1m), arising predominantly from our core social housing activity. This result was after accounting for an impairment charge on redundant housing stock and the revaluation of offices to commercial property. Without these two accounting adjustments, the underlying surplus for the year is £31.1m. We continued to improve our customer offer, delivering service improvements to enhance customer experience which resulted in improved overall customer satisfaction. To mitigate financial pressures and ensure we can maintain delivery of a quality service, we continue to set and deliver efficiency targets, both in 2019/20 and future years, with £5.2m of efficiencies delivered.

We continue to be financially strong, with our V1 rating for financial viability established by the RSH, confirming our financial capacity to deliver our ongoing development programme for more homes.

Our successful application to Homes England to become a Wave Strategic Partner is enabling us to extend our capacity to deliver new housing supply through the approval to grant fund an additional 1,000 homes, over and above our original plans. A number of sites within the Wave programme are scheduled to start on site in 2020/21. In total for the year, we delivered 314 new homes for affordable rent, 99 low cost home ownership, and 6 for outright sale, exceeding our target by 19.

Key Financial Indicators	2020	2019	2018
Operating Margin	18.70%	17.70%	24.40%
Operating Margin-Social Housing Lettings	28.90%	25.70%	29.10%
Operating Cashflow net of interest payable	£21.8m	£45.3m	£47.4m
EBITDA MRI Margin	18.50%	24.00%	32.50%
Gearing	24.00%	23.30%	24.80%
Debt as mutliplier of turnover	1.8	1.3	1.5
Net debt per dwelling owned	£7,516	£7,011	£7,360

Turnover

Despite the 1% rent reduction, turnover for the Group increased by 2.9% to £185.7m (2019: £180.3m), with growth being achieved through the ongoing delivery of new homes, both for rent and sale, and a full year impact from our new subsidiary, Gus Robinson Developments.

Operating surplus

Our operating surplus in 2019/20 was £37.6m (2019: £34.8m), delivering an operating margin of 18.7% (2019: 17.7%). This result was broadly in line with financial plan expectations and was achieved whilst continuing to invest in our services and properties, and taking into account an impairment adjustment of £4.7m relating to our programme of stock rationalisation of properties which are not economically viable. As a comparison to prior years, without this one-off accounting adjustment, the underlying operating surplus is £39.5m, delivering an operating margin of 21.3%.

The operating surplus includes the financial results of our subsidiaries. Thirteen Homes, in line with its financial plan, delivered an operating loss of (£1m) (2019: loss of (£0.6m)) arising from pre-contract costs with no trading activity in year. Property development, both for sale and on behalf of the Group is due to commence during 2020 with a return to profit expected by March 2022.

Losses of (£1.1m) (2019: loss of (£0.4m)) were also reported for our house building subsidiary, Gus Robinson Developments due to a difficult year arising from the unexpected loss of contracts owing to planning decisions and the impact of Covid-19 at the end of the year. Looking forward, the financial plan forecasts a return to profit by March 2021, with a healthy pipeline of committed project in place. The integration of the technical expertise from GRD will unlock £2m of efficiencies in the Group.

Our commercial company delivered an operating profit of £148k (2019: £185k) which was fully gift aided to the Association.

Taking the activity within the subsidiaries in 2019/20 and the impairment adjustment to one side, to give a comparable position with prior years, the Association's adjusted operating surplus of £41.6m delivers an operating margin of 25.1%, which is comparable to our peers in the sector.

Assets

Asset values continue to rise as we deliver significant investment in our current stock, investing £82m in 2020, as well investment through the new build programme, resulting in an increase in housing property value to £1,038m (2019: £993.7m). We continued with our programme of stock rationalisation and determined that a further 263 properties did not deliver value for money and were deemed to be obsolete, resulting in an impairment charge in 2020. Despite this reduction in properties, plus 'Right-to-Buy' sales, the new units brought into use through the new build programme let to a net increase in properties held for rent from 32,734 at March 2019, to 32,907 at March 2020.

Housing properties are stated at cost and are also valued for loan security purposes. The estimated value of secured and unsecured properties is £850m (2019: £800m). The Group also holds other freehold land and buildings, including garages, commercial properties and office buildings, as well as equipment and vehicle assets, giving a total asset value of £44.6m (2019: £46.4m).

Treasury Management Report

Our treasury strategy was updated in July 2019 and gives strategic direction for the Group in relation to treasury activities.

The strategy has an overarching objective to ensure we have sufficient liquidity and finance in place, and that the key risks of interest rates and counterparty risk are monitored and managed effectively. To better protect against the impact of Covid-19, a more prudent approach to liquidity risk has been implemented, and this was further developed in the July 2020 treasury strategy update.

Capital funding liquidity is considered to be one of our most important objectives, and our golden rule is defined as a minimum of 24 months liquidity required. Our financial plan approved in May 2020 shows that undrawn loan facilities are sufficient to finance the group's activities until August 2022.

The Group has loan facilities in place of £458.4m at 31 March 2020 (2019: £360.7m) of which £120.7m is undrawn. All the undrawn loans are fully secured and capable of being drawn. During 2019/20 Thirteen secured new funding of £100m via a Private Placement. Broadening our funding base in this way means we can continue to invest in existing customers as well as building the new homes that future customers want and need. £75m of this funding was drawn by 31 March 2020.

At the financial year end, borrowings amounted to £339.3m (2019: £240.6m) including accrued interest. The weighted average maturity of our facility is 13.8 years, and the maturity profile of our drawn debt is shown below:

Maturity	2020 £m	2019 £m
Within one year or on demand	4.1	4.0
Between one and two years	3.7	2.4
Between two and five years	80.7	47.3
After five years	250.8	186.9
	339.3	**240.6**

The Group borrowed, from banks and building societies and private investors at both fixed and floating rates of interest. Embedded fixed rate loans and fixed rate private placement funding were used to generate the desired interest rate profile and to manage the Group's exposure to interest rate fluctuations. The Group has adopted a policy of maintaining a balance between variable rate and fixed rate loans. At the financial year end, 72% (2019: 74%) of our borrowing was at fixed rates. The fixed rates of interest, including the margin, ranged from 2.8% to 11.8% (2019: 3.6% to 11.8%).

Loan margins on the majority of the debt are at, or below, the current market. The Group's lending agreements require compliance with a number of financial and non-financial covenants.

The Group's position is monitored on an ongoing basis and reported to the Board at least quarterly. The most recent report confirmed that the Group is compliant with its loan covenants at the balance sheet date and the financial plan produced for the Group demonstrates that it expects to be compliant for the life of the financial plan.

Thirteen's gearing, as calculated for loan covenant purposes as total loans as a percentage of completed housing properties, increased to 30% as at 31 March 2020 (2019: 23%). Gearing is expected to remain broadly the same over the next 12 months in line with our financial plan.

Thirteen's interest cover, calculated for loan covenant purposes as EBITDA-MRI as a percentage of net interest payable was 236% for the year ending 31 March 2020 (2019: 327%). Interest cover is expected to decrease over the next 12 months as a result of forecast reductions in income and additional investment.

Thirteen's asset cover, calculated as the value of securable assets as a percentage of loans is reported to individual lenders based on the loan balance and properties secured against each specific facility. Thirteen's overall asset cover was 287% as at 31 March 2020 (2019: 424%). We have 7,752 properties not charged to any lender (2019: 10,921) which would support £253.9m (2019: £334.3m) of additional loans.

The Group has agreed with lenders the ability to provide onward funding to its subsidiaries. The limit has been agreed at £25m and includes loans and guarantees. There is a loan facility agreement in place between Thirteen Group and Thirteen Homes, which had a drawn balance of £10.2m at 31 March 2020 (2019: £3.4m). A new facility agreement has been put in place this year between Thirteen Group and Gus Robinson Developments, with a drawn balance of £1m at the end of the financial year (2019: nil).

The Group had balances of cash and cash equivalents of £89.7m at 31 March 2020 (2019: £9.2m) and the current ratio stood at 0.8 (2019: 0.8). Increased cash balances were held to protect against potential Covid-19 implications.

Strategic Report

Consolidated financial results: five year summary

Statement of Comprehensive Income (£'000)	2020	2019	2018	2017	2016
Turnover	185,657	180,338	159,827	164,989	163,964
Operating expenditure and cost of sales	(150,890)	(148,335)	(120,871)	(115,438)	(132,800)
Gain on disposal of housing assets	2,873	2,757	1,671	1,413	523
Operating surplus	**37,640**	**34,760**	**40,627**	**50,964**	**31,687**
Net interest charge	(10,403)	(10,273)	(11,438)	(12,060)	(11,871)
Gain on disposal of other assets	-	-	280	(41)	60
Other finance (costs)	(1,325)	(1,402)	(988)	(1,343)	(1,272)
Change in valuation of investment properties	(6,120)	-	(823)	-	-
Taxation	182	35	1	-	1
Surplus for the year	**19,974**	**23,120**	**27,659**	**37,520**	**18,605**

Statement of Financial Position (£'000)	2020	2019	2018	2017	2016
Housing properties	1,037,825	993,731	959,486	951,679	931,548
Other fixed assets	56,017	53,094	48,375	51,221	51,251
Total fixed assets	**1,093,842**	**1,046,825**	**1,007,861**	**1,002,900**	**982,799**
Net current assets/(liabilities)	80,804	(11,233)	(2,068)	17,172	37,244
Total assets less current liabilities	**1,174,646**	**1,035,592**	**1,005,793**	**1,020,072**	**1,020,043**
Creditors: amounts falling due after more than one year	(335,813)	(238,245)	(241,398)	(287,004)	(330,197)
Deferred capital grants	(131,321)	(113,962)	(112,406)	(111,213)	(107,347)
Pensions liability	(71,206)	(60,893)	(49,737)	(44,008)	(45,276)
Total net assets	**636,306**	**622,492**	**602,252**	**577,847**	**537,223**
Minority interest	-	-	-	12	12
Revaluation reserve	275,709	280,466	284,711	294,489	299,367
Restricted reserve	920	438	7,315	441	350
Revenue reserve	359,677	341,588	310,226	282,905	237,494
Capital and reserves	**636,306**	**622,492**	**602,252**	**577,847**	**537,223**

Asset data	2020	2019	2018	2017	2016
Social housing stock owned at year end (no.)	32,907	32,734	32,150	32,563	32,688
Average existing use value (EUV-SH) per unit (£)	26,411	24,632	25,090	24,586	24,296

Our plans for the future

Priority One: Great Customer experience

We want to ensure your customers see us as the housing association of choice. We believe that everyone should get the same quality of service, no matter where and how they come into contact with us.

Outcomes we will deliver:

- Improved customer experience
- Less debt owed to Thirteen
- Increased insight
- Differential offer
- Additional independent living spaces
- Maximised benefits/income for customers
- More customers in employment or training

Key actions:

1. **Touchpoint Programme**
   Ensuring that everyone gets the same quality of service, no matter where and how they come into contact with us, is why we're investing in our touchpoints programme, including a high street presence, enhanced digital approach and investing in our contact systems, to promote the range of services that we have to offer in addition to making all of our services more accessible, direct, quick and easy.

2. **Promote our total service offer**
   As well as the core services we provide as a housing association landlord, in conjunction with or touchpoint programme, we need to promote the range of additional services that are available to current and potential tenants and customers, including specialist housing, support services and independent living.

3. **New service offers**
   So we can respond to customer demand and the issues they face, we're going to carry out some in-depth research to give us more detailed customer insight and decide if we can develop new services to improve matters for customers. We'll be looking at whether we can do more to improve deprived neighbourhoods, how we can tailor our services to meet specific needs even further, how we can better respond to anti-social behaviour and what we can do to provide services for young people as well as to help people live independently for longer.

4. **Thirteen Plus – health and independence**
   People's lives are changed as we help them into healthier independent living. Our range of specialist accommodation is tailored to the needs of people including care leavers, the homeless, teenage parents, people with profound learning disabilities and victims of domestic abuse. We offer home adaptations to help older people stay in their homes longer and supported accommodation when they choose to move on. We'll build a further 700 homes for people with specialist needs.

However, we go beyond bricks and mortar to develop targeted help and support so people who need some help can live more successfully. Our ever-growing range of support services includes money advice and financial planning, help with Universal Credit, tenancy enforcement, help to get into work or training and homeless support.

By delivering the above we will see that:

- Our customers will trust us to do what we say, and we deliver extraordinary services
- We will be able to invest more in services and products for customers through effective and efficient working
- Customers will be able to afford to live a healthy lifestyle in their own homes
- Customers, both existing and potential, will know what products and services we offer, how to access them, how they work for them and will maximise take up.

Strategic Report

Priority Two: Delivery Quality Places to Live and Improving Neighbourhoods

The quality of neighbourhoods is as important as the quality of the housing and contributes to quality of life. We can't create a sense of community, but we can help put in place the conditions to help make it happen. That's why our operating model puts neighbourhoods at the heart of everything we do, ensuring we work with partners to deliver exactly what's right to help communities thrive.

We'll continue to maintain and invest in our houses and estates and provide a range of new homes and tenures to address the housing needs in our operating area. By being more efficient, we'll invest more in neighbourhoods to improve the housing offer and the place and provide employment opportunities to make a major contribution to the regeneration of the Tees Valley.

Outcomes we will deliver:

- More of our tenants staying with us longer
- Letting more of our homes and quicker
- Fewer empty homes
- Being the landlord/housing provider of choice
- High quality homes
- Increase in new homes – affordable rent, shared ownership and market sale
- Reduced environmental impact
- Environmental Improvements (sustainable homes)
- Increased jobs and apprentices in construction
- Continuous improvement and increasing the value of existing stock
- Continuing to meet/exceed building safety standards

Key actions:

1. **Investing in our homes**
   We have a continuous programme of improving our stock. Last year we invested £38m in our homes and neighbourhoods, which compares really well with our peers. A typical year sees 4,000 homes receiving work, including new roofs, kitchens, bathrooms, windows and doors and energy efficient boilers installed. Over the next five years, 20,000 homes will see improvements.

2. **Neighbourhoods at the heart**
   There'll be a number of neighbourhood improvement and regeneration pilots, with intensive neighbourhood management to ensure customers have a safe home and quality neighbourhood, leading to a lasting tenancy. We'll consider investment in existing homes, the spaces between homes, our development programme and regeneration all together and based on the needs and opportunities for each place. Working with partners means we can make an even bigger impact than on our own.

3. **Building new homes**
   As people move through life, they want more choice. Last year we spent £38m on developing new homes. Our plan is to build 3,200 places for people to live over the next five years including affordable, shared ownership and homes for market sale.

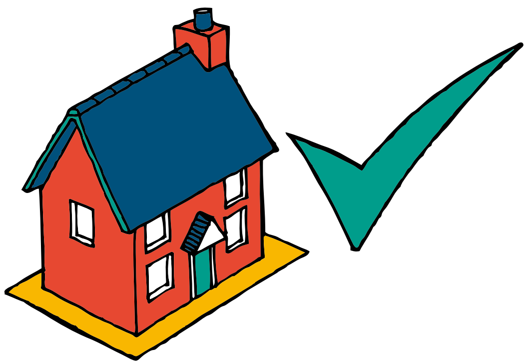
4. **High-rise blocks**
   When we reviewed our 18 high-rise blocks during 2018, we concluded we'd rehome people in five of the buildings (which is nearly completed), demolish the blocks and replace them with new housing. We've found new homes for almost everyone affected. We continue to monitor the asset performance of the remaining high-rise. We're also installing sprinklers and misting systems to our remaining high-rise blocks, with two blocks already completed.

5. **Home of 2030**
   Expectations are changing about what a home should be. Over the next 12 months, we'll start to build homes from our new range of house types so our brand quality is consistent, and we can improve costs. We'll also be trialling and delivering new methods of construction to improve quality and decrease construction times. New environmental measures are also being introduced to reduce the carbon impact of new homes, with the Government announcing that gas boilers will be banned in new homes from 2025 to tackle climate change and a new homes standard, enforcing the end of fossil fuel heating systems and delivering lower carbon and lower fuel bills.

We'll explore what the house of 2030 should look like, so we keep pace with changing expectations.

By delivering the above we will see that:

- We have popular neighbourhoods with a stable community and reduced anti-social behaviour
- We will have more diverse communities that are served through an outstanding housing offer
- We are meeting demand and providing choice
- We are delivering a range of homes to suit our customers wherever they are in their lives
- We have net growth in unit numbers to bring better services and products to more people.



Priority Three: Being Team Thirteen

Team Thirteen is about being high performing, collaborative and efficient. We want to be an employer of choice, focused on the continued development of board directors and colleagues with the necessary skills and experience to deliver this strategy.

The ability to deliver high quality services to our 70,000 plus customers in a coordinated way depends critically on attracting and retaining the right people with the right skills who are ambassadors for Thirteen.

Part of that means providing a supportive and motivating environment for our c1,600 colleagues.

Outcomes we will deliver:

- Everything safe
- Responding effectively to customer need
- Strong financials with more than enough headroom to deliver the plan
- Simplified ways of working
- Being an employer of choice with high colleague net promoter score and continued investment in our people
- Strong governance, ensuring we remain legal, safe and fully compliant
- Embedded agile working arrangements
- Reduced running costs of our buildings to support service delivery
- Delivery against our efficiency targets
- Reduced carbon footprint

Key actions:

1. **Be Thirteen - Improving our colleagues' experience of working with us**
   Thirteen colleagues are passionate about what they do. They care about making a difference and striving to improve. Proud of our achievements, we also know we have areas to improve and these are firmly in our plans. We need to remain flexible and further embed the agile working ethos, with a clear focus on our role in helping address housing need and improving services for the people in our area. Each element of the employee's life cycle is of vital importance; from 'attract me', to 'get me started', to 'develop me', right through to 'wish me farewell', so we attract and retain excellent colleagues.

2. **Right Space, Right Place**
   Introducing our operating model led to not as many colleagues using all our main offices, so we reviewed our bases and our Board agreed to move all our support services to Hudson Quay in Middlesbrough and lease Northshore in Stockton as managed workspace. Every colleague's workplace is important, so we'll be investing in all our settings over the coming years and we'll have determined the most efficient way to run our Middlesbrough office, including a reflection on how the recent pandemic has impacted upon the way we work. Having an operating model that is underpinned by agile working has allowed us to very quickly adapt to a new way of working.

3. **Doing things differently**
   We have a track record of making efficiencies so we can deal with cost and income pressures without impacting on service delivery. While many of our services are already low-cost compared to other housing associations, we know we can still explore doing things differently to make additional cashable efficiencies that can be reinvested back into the business. We'll continue to explore high cost areas and ways of delivering services differently.

4. **Environmental management**
   We want to make our organisation more environmentally conscious and get all colleagues on board in helping stamp out our direct carbon emissions, in turn reducing the negative impact we have on the planet. Everyone at Thirteen is working internally to reduce our direct operational impact and we also want to work with partners, suppliers and subcontractors to lower this more widely. We are moving to a holistic approach, including a drive for carbon neutral homes, to the major investment programme, rather than a component based approach, looking at the overall efficiency of the assets that we hold. This is both an environmentally responsible thing to do but also makes great business sense. In recent months we have seen a reduction in our carbon footprint as a result of significantly reduced staff travel, both to and from work, and also to meetings and conferences, and we see this as a great start to our carbon reduction agenda.

5. **Financing the plan**
   We have significant financial capacity to deliver this plan but to deliver the level of investment planned within our existing homes and neighbourhoods as well as in new homes, we'll need to secure additional borrowing (within our financial capacity) so that we can deliver the ambition of the plan.

By delivering the above we will see that:

- We are a trusted employer of choice and attract and retain the best talent
- We maximise the human and financial investment in services and products for customers

Strategic Report

Areas for improvement

In order to deliver our strategic priorities and achieve the financial plan targets, we acknowledge there are key areas we need to maintain our performance and improve on which we will be focusing on over the coming year.

Targets for key performance indicators have been approved by the Board which are stretching but also realistic, and include:

Great Customer Experience	Strategic Plan Target					Target	Actual
	2025	2024	2023	2022	2021	2020	2020
Overall satisfaction with services provided by Thirteen	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	89.1%
Customers supported into work	600	400	350	350	350	n/a	486
Total current arrears as % of debt	2.7%	2.9%	3.3%	3.6%	4.0%	3.4%	3.4%
More requests dealt with digitally	17,000	15,000	13,500	12,000	9,000	n/a	n/a

Customer satisfaction will continue to be a key indicator to ensure our customers are getting the great customer experience they expect and are entitled to. Our neighbourhood model with customers at the heart of everything we do is delivering positive outcomes which we want to continue and expand upon to have a greater impact on the neighbourhoods and give customers a bigger voice.

We will continue with our wider support mechanisms for customers, including support into employment to raise aspirations and quality of live.

To deliver the services we aspire to we need to ensure we maximise income so we will continue to focus on the level of debt owed, taking a firm but supportive approach to debt collection.

We continue to develop our digital services to customers to make it easier and more efficient for then to do business with us.

Increasing customer aspirations and competition from other providers continues to present challenges for the letting of properties, therefore we will continue closely manage the number and standard of empty properties and minimise tenants leaving where possible.

We exceeded our target for completion of repairs in 2020 and aim, through streamlining processes and better use of IT solutions, to continue this improvement.

We have a long-term investment programme in place to improve and maintain the quality of our housing properties. Whilst it is likely this will now be impacted adversely upon in 2020 due to a delay in deliver of investment works as a result of COVID-19, we will closely monitor the level of investment to ensure an appropriate level of investment over the 5 year strategic plan target.

Delivering quality places to live and improving neighbourhoods	Strategic Plan Target					Target	Actual
	2025	2024	2023	2022	2021	2020	2020
Standard Voids - vacant and available to let	200	200	200	200	200	220	252
Tenancy turnover	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	9.5%
Average calendar days to complete a repair	7 days	7 days	7 days	7.5 days	7.8 days	8 days	7.8 days
Investment per 1,000 homes	£2.6m	£2.5m	£2.4m	£2.3m	£2.1m	£2.4m	£2.3m

Being Team Thirteen	Strategic Plan Target					Target	Actual
	2025	2024	2023	2022	2021	2020	2020
Office overhead cost per person	£941	£918	£896	£874	£853	£1,022	£1,120
Employee net promoter score	+40	+40	+40	+40	+40	+40	39
Efficiencies delivered	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%
Assurance compliance-all tests passed	100%	100%	100%	100%	100%	100%	100%

Over recent years we have reduced the number of office locations Thirteen operates from, to align to the requirements of our service delivery model. This has resulted in reduced costs over recent years, although 2019/20 was higher than target due the programme running slightly behind schedule. At a minimum, we will maintain this reduced cost base over future years but take any opportunities to reduce costs further and redirect resources to front-line delivery.

We aspire to be the employer of choice and attracting the highest calibre of employee is vital to delivering the highest quality service. Our employee net promoter score is marginally below the 'excellent range of employers' of +40 so we will continue to consider our employee offer to maintain our improvement in this area.

Ensuring our compliance with all assurance tests is of vital importance and we will endeavour to maintain our 100% record.

Value for money

Thirteen is committed to providing a value for money service, delivering our vision and maximising the social impact of our resources and investment. It's important because we want to make sure we can invest in more homes, invest in our existing homes and create quality services for residents, customers and other stakeholders.

VFM is sometimes expressed within a 'value chain' of economy, effectiveness and efficiency and is about obtaining the maximum benefit over time with the resources available.

Our value for money framework underpins the strategy aims and focuses our KPI's on achieving VFM across all three strategic priorities, with clear and measurable targets. The framework is built around the three principles of economy, efficiency and effectiveness as set out in the Value for Money Standard, and makes sure that we 'spend less, spend well and spend wisely'. This means that we consider how we can reduce costs and input and still achieve the same results or better, as well as considering how we can improve quality and outcomes by increasing what we put in.

The framework is owned and driven by the Board and performance against VFM measures is reviewed at every Board meeting. However, the remit for delivery is spread across the Group, with collective responsibility at all levels, from the Executive team and service directors, to operational team leaders and performance against these measures is monitored closely, ensuring Thirteen's approach to VFM is embedded in the way we work. This includes our subsidiary companies who have a role to play in the delivery of our value for money ethos, from strategic decisions to bring GRD into the Group to share expertise and costs, to operational decisions such as procurement.

We are committed to involving customers to scrutinise services and performance so have adopted a customer involvement framework to ensure customer involvement is embedded across the Group, that customers are at the heart of decision making and are able to contribute to policy and strategy development, support the delivery of strategic plan and business priorities, and the embedding and delivering of value for money principles.

Annual business planning functions, supported by our project team, consider how every project we want to undertake in the coming year will contribute to the VFM agenda. By really understanding why we want to do things, we can better identify the opportunities we have to save money, to improve processes and outcomes, and maximise the value from the work we do. Our project management framework sets up governance arrangements to ensure we maintain oversight of progress against project aims. Programme boards aligned to each strategic priority monitor progress monthly, with particular attention to VFM objectives, and report highlights to service directors.

Powered by Thirteen is an initiative which puts innovation side by side with VFM, at the heart of everything we do. By giving colleagues the skills, space and mindset to think differently about challenges, and the freedom to be able to solve problems when they see them, we are creating a culture where continuous improvement in services is everyone's responsibility and all ideas are welcome.

Our procurement processes ensure that when businesses bid to work with us, what they offer is considered in a thorough and well-rounded way. Cost, quality and scope of service, and additional social value all play a part in ensuring that we get the most from our money by spending wisely and to maximum effect.

We're continuing to challenge ourselves to save money where we can, but also taking the long term view to invest in being more effective and efficient in the future. In order to do this, we benchmark against our peers, using the Regulator of Social Housing ("RSH") - Global Accounts and Housemark, using appropriate and representative peer groups. Looking at our ambitions for Powered by Thirteen is an initiative which puts innovation side by side with VFM, at the heart of everything we do. By giving colleagues the skills, space and mindset to think differently about challenges, and the freedom to be able to solve problems when they see them, we are creating a culture where continuous improvement in services is everyone's responsibility and all ideas are welcome.

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Value for money

VFM Metrics

The VFM metrics, as defined by the RSH, are an integral part of our management accounts and performance monitoring cycle, with regular updates provided to the Board. Results for 2020 are detailed below, highlighting performance against our target for the year:

Value for Money Metrics	Target		Actual			Median		
						National	>30,000	North-East
	2021	2020	2020	2019	2018	2019	2019	2019
Reinvestment %	8.3%	8.3%	7.9%	6.5%	4.1%	6.25%	6.50%	6.50%
New supply delivered (Social housing units) %	1.5%	1.1%	1.2%	1.0%	0.6%	1.20%	1.00%	0.97%
New supply delivered (Non-social housing units) %	0.1%	0.2%	0%	0%	0%	0%	0%	0.00%
Gearing %	23%	28%	24.0%	23.3%	24.8%	42.90%	45.40%	44.80%
EBITDA MRI Interest Cover %	274%	206%	200.6%	250.9%	341.8%	182.30%	159.40%	175.10%
Headline Social Housing Cost per Unit £	£3,370	£3,807	£3,650	£3,632	£3,073	£3,695	£3,881	£3,472
Operating Margin (social housing lettings) %	29.1%	30.3%	28.9%	25.7%	29.1%	29.20%	32.80%	26.00%
Operating Margin (overall) %	20.6%	20.2%	18.7%	17.7%	24.4%	25.80%	25.80%	23.80%
Return on Capital Employed %	3.3%	3.5%	3.2%	3.3%	4.0%	3.80%	3.60%	3.40%

Median based on the Regulator of Social Housing – 2019 Global Accounts

1 Median of all social housing providers

2 Median of all social housing providers with over 30,000 units

3 Median of all north-east England social housing providers

Reinvestment and new supply delivered continues to grow as we continue to deliver against our strategic priority 'Delivering quality places to live and improving neighbourhoods'. This is aided through our successful inclusion on the Wave programme, increasing our ability to deliver new homes.

Reinvestment was marginally lower than target due to the adverse impact of Covid-19 on our ability to deliver major repair work at the end of March 2020, and the halting of work on construction sites.

Our plans to deliver 40 non-social housing units for sale was not achieved due to delays at our Whitby site.

Gearing remains low when compared to others in our sector and below the target for the year. This is expected to increase as the new build investment programme is expanded, requiring the extension of borrowings, but demonstrating significant capacity to achieve our ambitious development plans.

Interest cover has reduced over previous years, although remaining within financial plan and golden rule targets, as borrowings increase.

Value for money

Value for Money Metrics	Target		Actual			Median		
						National	>30,000	North-East
	2021	2020	2020	2019	2018	2019	2019	2019
Management £	£749	£594	£591	£600	£600	£1,004	£1,052	£946
Service Charges £	£479	£325	£337	£358	£308	£395	£526	£353
Maintenance £	£1,046	£922	£1,087	£1,058	£898	£1,013	£935	£1,133
Major Repairs £	£790	£1,606	£1,293	£1,239	£1,046	£794	£775	£839
Other social housing costs £	£306	£360	£342	£377	£221	£245	£337	£187

Headline social housing costs per unit is marginally below 2019 levels and financial plan target following the achievement of efficiency savings targets, and despite our ongoing commitment to deliver key actions to achieve our strategic objectives and £3.4m pension costs not included in the financial plan target. Management and service costs have remained fairly stable with a reduction over the previous year, although we are forecasting an increase in 2021 as we invest further in-service delivery. Maintenance costs remain at similar levels to 2019 reflecting an enhanced standard for void properties which has been reflected in the 2021 financial plan. Major repair costs remain higher than the sector average, demonstrating our ongoing commitment to investment in our existing stock, including a focus on health & safety works, although the year-end result was lower than planned due to the cessation of works at the end of the financial year due to Covid-19. Average component costs were lower than budgeted for the year and we continue to market test component costs to ensure best value is obtained. Overall housing cost per unit remains below the median for similar size organisations and comparable to the sector average in the North-East.

Operating margin, both overall and relating to social housing lettings, remain at a consistent level to previous years, with return on capital employed rising slightly.

Overall, the VFM metrics show a strong and resilient set of results, whilst delivering on the key actions to achieve our strategic objectives in 2019/20, including:

Strategic Plan Priority One: Great Customer Experience

Our Touchpoint programme is progressing well, with our new digital approach 'My Thirteen' now live and investment made in our contact team including extended opening hours and new IDT systems. Both initiatives are designed to make our services more accessible, and quick and easy for our customers to use, whilst driving out efficiencies to reinvestment in further service improvement and reduce our cost base.

Improvements have been made to our repairs service which has been evidenced by the teams success at the UK Housing Awards, winning Direct Labour Organisation (DLO) of the Year. Our key focus is to improve customer experience. which is measured through maintenance of key performance measures, eg. first time fix and gas safety, to consistent high, consistent levels, and improvements in other local measures, eg. the time taken to complete repairs.

Strategic Plan Priority Two: Delivering Quality Places to Live and Improving Neighbourhoods

We invested £42.7m on major repairs to our existing homes, ensuring value for money through the use of in-house teams and approved procurement frameworks, to drive down costs and maximise available resources. We continue to assess the ongoing viability of our homes in order to take a sensible and timely decision as to whether to invest or divest. Whilst this resulted in an impairment charge of £4.9m in 2019/20, longer-term this will result in a net cash benefit to the Group.

Value for money

Strategic Plan Priority Three: Being Team Thirteen

Last year we committed to improving the experience of working for Thirteen, whilst reducing costs through our 'Right Space Right Place' programme and 'Doing things differently'. These initiatives have delivered efficiency savings of £5.2m, whilst at the same time given staff the tools to deliver the Group's priorities more efficiently and easily. An added benefit of this has been our ability to respond to changing work practices and environment imposed as a result of the response to the Covid-19 pandemic, whilst limiting any adverse impact on our customers, preserving effective governance and financial compliance.

As a registered provider of social housing, all savings achieved and surpluses generated are reinvested back into our services, as detailed earlier, and the development of new properties. During 2019/20 we exceeded our efficiency target of 3% of social housing turnover, achieving 3.5% savings which equates to £5.2m cashable savings, £0.8m higher than target. This was achieved across the entire organisation, with savings relating to:

Changes to service delivery	£3.2m
Contract negotiation	£1.7m
Office accommodation	£0.3m

Local Value for Money Measures

To ensure we are 'measuring what matters' we report a set of key performance measures to management and Board.

This includes the VFM metrics, and also key VFM performance indicators in-line with our strategic priorities. Where applicable, we benchmark these against our peers, utilising appropriate benchmark groups.

Great Customer Experience	Target	Actual			Median		
	20210	2020	2019	2018	National	>30,000	North-East
Overall satisfaction with services provided by Thirteen	90.0%	89.1%	87.4%	84.6%	87.20%	87.4%	91.0%
First contact resolution	80.0%	82.0%	78.3%	73.0%	NBM	NBM	NBM
Average calendar days to complete a repair	8 days	7.8 days	9 days	10.2 days	10.7 days	8.6 days	10.7 days
Complaints responded to within five working days	100%	100%	100%	99%	NBM	NBM	NBM
Tenants very or fairly satisfied that their rent provides value for money	>90%	90.8%	91.9%	92.1%	85.9%	85.6%	88.0%

Investment in our services and our focus to put the customer at the heart of everything we do is having a positive impact on overall satisfaction with our services, with satisfaction continuing at upper quartile performance and increasing for the 3rd consecutive year. We are pleased that we are improving first resolution rates for our customers to prevent repeat calls, saving them time and improving their experience, but also freeing up staff time to more value-added tasks. This was aided by our customers reviewing how we delivered the service and adopting their suggestions.

Tenants satisfied their rent provides value for money remains high and above the target for the year, we are mindful that it has reduced slightly and is medium quartile when compared to our peers in the North, though are confident that our continued work to drive out efficiencies whilst improving service delivery will impact positively on this measure.

Value for money

Delivering quality places to live and improving neighbourhoods	Target	Actual			Median		
	2020	2020	2019	2018	National	>30,000	North-East
Repairs first time fix	98.0%	98.0%	98.0%	97.5%	90.0%	89.0%	85.7%
Valid Landlord Gas Safety Records	100%	100%	100%	100%	100%	100%	100%
Ratio of responsive repairs to planned maintenance	0.69	0.68	0.72	0.69	0.64	0.68	0.72
Investment in communities	£1.9m	£1.7m	£1.6m	£1.5m	£0.16m	£1.13m	£0.41m

During 2019/20 we maintained our high quality repair service, achieving our target of repairs completed at first visit and retaining gas safety standards with 100% of our properties having valid Landlord Gas Safety Records.

We didn't achieve our target for responsive repairs to planned maintenance due to the cessation of work as a result of Covid-19 plus continued pressure on void repairs in year.

All planned outcomes for community investment were delivered, including community facilities and money advice albeit at a reduced cost, as part of our VFM and efficiency programme.

Being Team Thirteen	Target	Actual			Median		
	2020	2020	2019	2018	National	>30,000	North-East
Learning & Development investment per employee	£417	£391	£420	£228	NBM	NBM	NBM
Office overhead cost per employee	£1,022	£1,037	£1,083	£1,294	NBM	NBM	NBM
Overheads as % of adjusted turnover	9.0%	9.0%	7.9%	6.6%	12.2%	10.0%	10.4%
Capital funding liquidity	24 months	46 months	43 months	75 months	NBM	NBM	NBM

Our strategic priorities recognise the importance of our people, as well as our customers and property, which includes ensuring they have the required skills, training and equipment to deliver the strategic plan priorities. To this end, we continue to invest in learning and development activity, maintaining a consistent level over the past 2 years. We also recognise the need to drive down overhead costs so monitor these costs separately. Overhead costs were to target in 2019/20 after absorbing the £3.3m pension adjustment with significant savings achieved during year, through contract renegotiation and delivering services more efficiently. Capital funding liquidity is higher than target due to the cessation of works owing to Covid-19 and the private placement funding drawn down, but demonstrates our ability to deliver on our development plans.

LQ – Lower quartile
MQ – Median quartile
UQ – Upper quartile
Benchmark – position of the Group when compared to similar organisation using Housemark 2019 benchmarking results
NBM – not benchmarked, local indicator only

Social value

For Thirteen, social value is about increasing the social, economic and environmental wellbeing of the people we work for and the communities we work in. We recognise that explaining what we mean by Social Value and therefore demonstrating what we are delivering is sometimes difficult. Work with colleagues and our customers suggests that it is best explained by saying that it is about understanding the difference we are making. Measurements we have used are primarily tangible outcomes.

These are the hard facts of what we have done and what it achieved. We also use the HACT (Housing Associations Charitable Trust) Calculator, which allows us to translate some of the social value we generate into the equivalent proxy, monetary value - a universal language which is understood by many other partners, commissioners and funders. This translates to the following achievements during 2019/20 which have had a direct, positive impact on our customers:

- Over 7,200 people have benefitted from help from services we provide, over and above our usual landlord functions
- We invested £150k into initiatives which directly helped customers and communities and funded over 120 local projects
- Our money advice services put more than £3.7m straight back into the pockets of residents
- We secured additional funding of around £95k via our contracts with Travis Perkins and Prosper
- The total social value recorded through HACT in 2019/20 was worth over £5.3m
- We put almost £57m into the Tees Valley economy through our spending on staff and suppliers, an increase of around £9m over last year.

Colleagues

Thirteen is a housing association that believes that every relationship matters, choices can make a difference and that we can change things for the better. We're clear that our ambition, energy, and passion to make a difference should be what attracts people to work for Thirteen, and we want to attract colleagues that help others thrive.

At Thirteen, our people are the driving force behind everything we do. Without them, we wouldn't be able to meet our customers' needs and aspirations and that's why we've been working hard to create an environment where it's easy for our colleagues to be the best versions of themselves at work, and have a great day at work, every day.

We want them to feel energised, so they deliver high performance, live the values and reach the high standards we've set for ourselves, and we want our colleagues to feel proud, valued and happy to work for Thirteen. We also want them to feel connected, informed, challenged, yet in control, so they can play their part in continuing to raise our impact and reach in the Tees Valley and beyond to ensure we continue to grow and succeed. We don't just want co-workers. We want everyone to be an ambassador. And we want everyone to feel this, from the moment they want to come to work for Thirteen to the moment they leave us and move on to new challenges.

We now have a clear vision for our colleague experience, and we've spent time over the last year working on projects that will enhance this. We've continued to draw on colleague feedback to help us address any issues that get in the way of them having a great day at work.

One of the biggest areas of focus has seen us fully embrace agile ways of working. We've fully embraced the concept of "work is what you do and not where you go" and invested in our office accommodation at Hudson Quay; and in the equipment that we provide our colleagues to help bring this concept to life. This investment has enabled colleagues to be in control of how and when they work, ensuring that they can deliver services at the best time and place for the customer, and provided a great platform for how we have had to work in recent times.

A further area of focus has been developing our leadership capability. We know that to get the best out of our colleagues, we need inspirational, capable leaders to help take us on our journey. We want them to be respected and trusted role models who work individually and collectively to achieve a common aim.

We know we're starting from a strong base as we've received great feedback about our leaders over the last 12 months. They're often well respected, particularly by their direct reports and colleagues within their areas and are seen as great role models and ambassadors for Thirteen. We're really keen to improve these scores further, so we've spent time looking at the different elements of trust (empathy, reliability, integrity and competence); and used the practical examples that have been provided by our colleagues to understand how we can improve in each of these areas both individually and collectively. As a result, we've introduced service director webinars, and "get to know your leadership team" events, and also had a series of sessions with senior leader colleagues to further improve both working relationships and how we collaborate.

Because having great leaders matters so much to us, we've also started to think about how we raise the bar completely when it comes to leadership. We know we've got some fab leaders and we want to make them fab-u-lous! To do this, we've started to look at developing a framework to help understand what's expected, how we assess skills, the support in place and the journeys colleagues could take to move into higher leadership roles. We'll use tools such as 360-degree appraisals, which we are looking to roll out for our senior leaders very soon, to help give feedback on how they could develop themselves.

A further key area of focus has been talent management and succession planning. During the year, we introduced new staffing structures to help better support succession at the senior level and started to see how many successors we already have across the business. We'll be using the next 12 months to develop a talent strategy and associated frameworks to help us understand what talent means for us and then identify where we might need to attract and retain skills. We'll also use it to help us better understand the type and number of roles that we will need in any given 3–5 year period and help us better match our colleague aspirations to the potential needs of the business.

As you would expect from any good employer, particularly one who aims to offer great days at work, we've continued to have a strong focus on well-being. Over the year, we've continued to build up a strong network of mental health advocates to help us better understand the issues our colleagues might face.

Colleagues

We've used our engagement surveys to help further our efforts and introduced a series of support leave arrangements for colleagues dealing with difficult situations outside work, such as being a carer, or dealing with the effects of domestic violence.

We're committed to supporting a diverse workforce and we've introduced an LGBT+ forum to help raise awareness, as well as improve our colleague experience and services to our customers. We've introduced T'dar, our online discounts and reward and recognition system, which offers colleagues lots of ways to save money as well as recognises colleagues with T'dar Star. We've also been able to demonstrate a healthy gender pay result, which currently shows a -0.7% median and 5.3% gap, respectively. We are really proud of this achievement and will work hard to close the gap further.

As you would expect, we have, and will continue to ensure our colleagues receive the training and support to deliver their roles and allow them the opportunity to influence and shape decisions made at both operational and strategic level. We'll also ensure that we meet our health and safety obligations, the responsibilities of which the Board are fully aware; and will use the consultation framework, which includes a Health and Safety Committee and working groups from all directorates to support our efforts. Our health and safety policy statement, which is supported by detailed policies and procedures, is reviewed on an annual basis, with training and education provided to colleagues on all relevant matters.

We're really proud that our efforts to provide even more great days at work have not gone unnoticed, and when we undertook our employee engagement survey in December, our employee net promoter score, which measures how likely a colleague would recommend Thirteen as a place to work, increased from 16 to 39, an increase of 23 points from 2018. This places us within the 'very good' range of employers (a score of 40+ would place us in the excellent category). The survey also showed that more than 55% of our workforce were active ambassadors for the company.

Moving forward, and to ensure that our efforts fully support our Strategic Plan whilst increasing the number of colleagues who have a great day at work, we'll finalise our People Strategy, and use the six objectives identified within it to target our resources effectively. These objectives focus on ensuring that we have the right talent for both now and in the future, that we have an engaged, skilled and diverse workforce, that we value, support and promote well-being, offer inspirational leadership and management, offer competitive, flexible and equitable reward packages, and have a great People Team to help turn these ambitions into reality.

It goes without saying that our approach to doing this has had to change as a result of Covid-19 hitting the UK; and the government restrictions that are now in place, alongside any other arrangements that are introduced to enable services to be delivered, but in such a way that our colleagues and customers remain safe and our business remains financially resilient.

The investment in our agile way of working earlier in the year, massively helped us. We were able to shift from our normal ways of working, to one that allowed anyone who would ordinarily require access to a PC to work from home in a matter of hours. This meant that approximately 52% of our workforce were able, to continue to be able to deliver some, if not all of the services that they would ordinarily deliver from home. This in our view, gives us a massive advantage when compared to other organisations, who might not have made the same investment as Thirteen.

For those who are not able to work from home, we've reviewed all ways of working and put in place risk assessments, as well as safe operating procedures to keep both customers and colleagues safe. We'll keep these under constant review, and change them as necessary in line with evolving guidelines and practices.

We'll use the Covid-19 testing portal, to support all our key workers and members of their household to get access should they have any symptoms to a test to confirm whether they have the virus. We'll also work with our colleagues to ensure all those who are undertaking work on our behalf, download and use the NHS tracking app as a further way to keep both colleagues and customers safe.

We'll also use the reports that we have been able to develop from our HR system, to stay abreast of how Covid-19 is affecting the business, whether that be due to shielding or self-isolating. We know that we may be working to manage the effect of Covid-19 on our business over the coming months, and that we'll rely on our colleagues to continue to deliver the high performance we need to ensure our success. We'll do what we can over this difficult time to support our colleagues to have a great day at work, so that they continue to feel proud, valued and happy to work for Thirteen.

Operating Environment and Risk Management

The Covid-19 pandemic has had an unprecedented impact on our external and internal operating environments, bringing numerous challenges and some opportunities:

- Quarter 4 of 2019/20 saw no growth and by the end of March, only a week or so after lockdown, growth fell by 2%. ONS figures show that after the lockdown on 23 March, output reduced by roughly a quarter with almost no aspect of the economy being unaffected in March. All three major drivers of growth – services, manufacturing and construction – went into reverse.

- Forecasts have been slashed and we are now technically in a recession although there is significant uncertainty about the outlook. There are some important factors to note which we are considering:

  - This recession is fundamentally different to the 2008/09 recession in both its cause and how it will unfold

  - The impact will hit quickly, it will not have a 'lagged' effect on such things as unemployment in the way previous recessions have

  - It's a demand-side problem – we stopped buying things at a basic level and hence, how we stimulate demand again will be key. There's the risk of substantial 'loop effects' as supply chains also see reductions in demand

- Overall, this will have a profound impact on the geography we operate in and on our customers.

- Many commentators are forecasting a partial recovery in 2021 although this will very much depend on how the virus is controlled and the impact on economic output and consumer confidence.

- A lot of this hinges on how effective the stimulus measures are that the Government has introduced in preventing widespread company bankruptcies, limiting job losses, and easing financial strains. The pace of work on treatments and vaccines offers some hope.
- Locally this is concerning as the North East had not recovered from the 2008 recession and technically has been in a recession three times since 2012. Evidence suggests that through a recession the need for social and affordable homes increases and those that rent a social home and/or are on low income are affected the most.

A recession recovery plan is being prepared so we can adapt our service offer to support customers and protect income to Thirteen. Internal challenges include:

- Keeping colleagues and customers safe - revised risk assessments and safe operating procedures, appropriate PPE, social distancing, restricted services.

- Property compliance – ensuring essential repairs are carried out, including gas servicing and other compliance services. Having processes in place for customers shielding and self-isolating or just not wanting us in their homes.

- Understanding what demand will look like post Covid-19, Expectations around homes and a revised service offer.

- Customer hardship and inability to pay, as well as an increased demand for support services such as Money Advice.

- Property recession, devaluation and uncertain lending market plus uncertainty on funding having an impact on our development programme and ability to sell.

- Remobilising the organisation – we need to determine and adopt the 'new normal'; some colleagues may feel disconnected/isolated and find it hard to adapt to new ways of working.

- Unknown consequences of market remobilisation, potential contractor and supplier failure.

- No demand/low demand properties – developing a plan as recession will make the situation worse.

There are, however, some potential opportunities resulting from these challenges:

- We have shown how we can completely transform our business in a very short period of time, and have the infrastructure to enable colleagues to work remotely.

- This provides an opportunity to consider what our 'new normal' looks like - from a product, services and geography perspective.

- There may be an opportunity for GRD to grow its market share.

- Thirteen may be in a position to 'rescue' or support a struggling registered provider.

We have rebased our financial plan to ensure we are able to withstand the impact of Covid-19 and are reviewing our strategic plan for 2020-25, to reflect our revised operating environment and objectives.

There are some non Covid-19 factors that could potentially bring further challenges and opportunities:

- Potential outcomes of the awaited housing White Paper, including possible changes in regulation, and the opportunity and challenges associated with becoming an 'early adopter' of the NHF's Together with Tenants initiative.

- The findings and recommendations of the Grenfell and Building Regulations enquiries continue to have an impact on our asset management strategy and housing operations.

- Support for the Tees Valley Combined Authority Strategic Economic Plan to grow the local economy and create new jobs by providing housing options to attract and retain people in the area.

- The Tees Valley has areas of affluence and of social deprivation. As the population grows the housing need will be for older people and single person households. Our development plans will aim to satisfy these needs.

- Creating new housing markets by developing on former Housing Market Renewal Areas in the Tees Valley.

We consider the above, along with the sector risk profile and information from our research and policy team, when reviewing and developing our strategic risks and mitigating action plans.

Operating Environment and Risk Management

Our risk management approach and business continuity arrangements have supported us through the current crisis and learning from this situation will inform the further development of these arrangements.

Our Risk Management ethos

Thirteen's strategic assurance framework ensures we are prepared and able to respond effectively and appropriately to the challenges and opportunities detailed above. It consolidates our approach to assurance and identifies the critical components of an effective assurance framework, including risk management, stress testing, internal controls, business continuity, internal audit, insurance and governance.

The framework enables Board and Committee members, the leadership team and service directors to better understand, manage and review assurance arrangements, ensuring that the outcomes of assurance activity are used constructively to inform strategic decisions and to protect and improve the business.

To support them in this there is a suite of monitoring arrangements, activities and reviews that ensure decisions made are based on intelligent risk management and an appreciation of the impacts these decisions have on the Group's operating environment and its strategic objectives.

The Thirteen Board acknowledges it has ultimate accountability and responsibility for ensuring appropriate and effective assurance and risk management arrangements are in place, with the Audit and Risk Committee having delegated authority for specific aspects on behalf of the Board.

Strategic Risk Management

The Board agrees a set of strategic risks at least once a year, considering those risks that could result in Thirteen being unable to deliver its strategic ambitions or could impact on its ability to deliver core business.

The Board regularly reviews its risk appetite for each strategic risk, articulating the amount of managed risk that will be considered in achieving our strategic objectives, and identifies tolerance levels that ensure that risks are appropriately managed.

Key tools and methodologies that inform and support risk appetite and tolerance include the following:

- Stress testing arrangements that set financial and performance tolerances to protect the Group, supported by a mitigation action plan that identifies the capacity and flexibility to manage the business in the event the tolerances are compromised.
- A compliance dashboard that reflects regulatory compliance, performance and reportable incidents ensuring the Board has appropriate awareness and intelligence in relation to critical matters.
- Review processes that challenge and test arrangements above the traditional control testing, including regular "testing the brakes" sessions and other relevant deep dives that inform action plans and established controls.

The Thirteen Board reviews the status of the strategic risks at each meeting and consciously seeks assurance to understand the wider strategic impact, inform the decision-making process, demonstrate effective governance and maintain the reputation of Thirteen.

The Board has delegated authority to the Audit and Risk Committee to scrutinise risk controls and mitigating actions and report any concerns to the Board. At the end of every meeting, each Board and Committee considers the discussions and decisions made and whether they have had a positive or negative impact on any of the Strategic Risks, for escalation to the Thirteen Board.

We operate a 'three lines of defence' approach to assurance, which incorporates management controls and oversight; assurance and performance reporting, independently scrutinised by an appropriate body, Board or Committee; and external independent assessments including internal and external audit and consultants' reports where appropriate.

Risk management is embedded across all projects and functions and we have a set of key risk indicators and financial golden rules to act as early warning indicators to trigger an appropriate response.

The Board and Executive Team consider the following to be the key strategic risks for Thirteen, which are aligned to our strategic priorities:

	Risk / Priority	Inherent Risk Score	Residual Risk Score	Risk Appetite	Current Direction of Travel	New risk actions required	Golden Rules status	Comments/Actions
1	Failure to meet customer expectations	12	8	Minimal	→	Yes	In tolerance (FM - 1,2,4)	Expectations being managed; services delivered in line with total service offer; feedback okay; demand research ongoing. Repairs satisfaction is up (9.26 quality; 9.53 professional; 9.53 would recommend to others). Positive feedback from involved customers. Actions: - Continued remobilisation and communication on plans
2	Failure to keep tenants and customers legal and safe	16	12	Averse	→	Yes	In tolerance (FM - 1,2,4)	Potential for second wave/lockdown; changing government guidance; test and trace pilot in Middlesbrough; Everything Safe H&S culture programme. Actions: - Ongoing monitoring of gas servicing - Review PPE burn Rate - Encourage colleagues to have flu jabs
3	Failure to manage and maximise our income stream	16	12	Cautious	↑	Yes	In tolerance (FM - 1,2,4)	Impact on debt/arrears (current and FTA); inability to undertake eviction proceedings until September; no full knowledge of abandonments; CPI rates reducing; onlending; delay inbuilding; oversight of subsidiaries. Actions: - Continued focus on debt - Continued stress testing/revision of mitigation plan - Recovery plan – revisited in Financial Plan coming to Board in September
4	Inability to respond to a local and/or national downturn in economy	16	12	Cautious	↑	Yes	In tolerance (FM -1,2,4,7)	Moving people and resources to where needed; increased support for customers; potential for second lockdown; de-risked rebased FP – removed market sale and shared o'ship income; West Yorks proposals – reliant on market intelligence, but if we get it right then it's a mitigation. Actions: - Recovery plan - Consider how we can further support customers to be financially resilient

Operating Environment and Risk Management

	Risk / Priority	Inherent Risk Score	Residual Risk Score	Risk Appetite	Current Direction of Travel	New risk actions required	Golden Rules status	Comments/Actions
5	Inability to be fleet of foot – responsive to our current and future operating and transformation challenges including growth	12	8	Open	↑	Yes	In tolerance (FM -1,2,4)	Restructure/Introduction of business growth directorate; increased capacity and resilience to grow without affecting business as usual; stronger platform to grow development - care and support and new contracts; ability to make the most of opportunities – but potential to be inundated and risk of getting involved in too much too soon. Actions: - Consider and prepare for opportunities - Presentational piece for LAs (right people in place) - Remobilisation of organisation - Review of RSRP project
6	Failure to manage a growing development programme	16	12	Open	↑	Yes	In tolerance (FM-1,2,3,4, 5,7,8) Nov pinch-point £800k from golden rule breach.	Remobilised; contracts reviewed; Altair report and recommendations; D&I review of affordable programme. Increased costs; uncertainty over Wave 2 funding; risk of missing milestones (eg Grove Hill – need to accelerate); ability to get contracts for future sites. Warning light triggered – cash impact of West Park sales being delayed/GRD schemes delayed. Actions: - Re-procurement of framework for external contractors - Commercial report to Board - Appraisal for stage 1 review of Hunters Rest for THG to buy - Restart affordable programme
7	Failure to effectively manage our assets	12	9	Cautious	↑	Yes	In tolerance (FM -1,2,4, 5,6)	Unknown costs and impact of carbon neutral requirements. Delay in investment programme. Property compliance work and stock condition surveys ongoing. No demand and/low demand properties. Actions: - Revised investment plan for 2020/21 - Understand impact/costs of carbon neutral requirements - SM@RT programme to inform no/low demand plan - Further review of RSRP project

Risk / Priority		Inherent Risk Score	Residual Risk Score	Risk Appetite	Current Direction of Travel	New risk actions required	Golden Rules status	Comments/Actions
8	Failure to manage regulatory expectations	12	8	Averse	↑	Yes	In tolerance (FM -1,2,4)	Properties outside of gas servicing timescales; changing guidance re H&S; uncertainty re outcome of HSE prosecution; non-compliance with code of governance; concerns re stairlifts; IDA scheduled for September. Property compliance programme ongoing, gas safety process enhanced and audit trail for no access; enhanced daily reporting to LT; Board weekly dashboard; ongoing review of risk assessments and SOPs as guidance changes; transparent relationship and comms with regulator; full planned Board/ Committee cycle ongoing as well as additional webinars and meetings to focus on key areas; stairlift risk event to July A&R Committee. Actions: - Reason for non-compliance with code of governance to be reported in annual accounts in line with requirements - Governance review report to Aug Board - Recruitment ongoing – interviews September 2020 - Allowance for HSE fine in FP - Implement recommendations from stairlift risk event - Prepare for IDA / provision of documents
9	Failure to create and embed organisational resilience: People	12	9	Open	→	Yes	In tolerance (FM -1,2,4)	eNPS score increased; positive Hive results; agile working; DSE training and assessments to identify equipment requirements; review of risk assessments and SOPs including PPE; support for colleagues to ensure wellbeing and safety; focus on mental health; increased capacity in exec team; webinars to share reshape principles; appointment of CFO. Potential for colleague concern due to reshape and pension review. Actions: - Ongoing engagement surveys - Review of RSRP - Clarity and communication with colleagues on revised pension offer - Reshape implementation and communication plans

Operating Environment and Risk Management

	Risk / Priority	Inherent Risk Score	Residual Risk Score	Risk Appetite	Current Direction of Travel	New risk actions required	Golden Rules status	Comments/Actions
10	Failure to create and embed organisational resilience: Efficiencies and financial viability	12	9	Open	→	Yes	In tolerance (FM -1,2,3,4)	Restructure of exec team brings additional capacity for growth; FP approved in February, rebased and approved in May and revised FP to Board in September - prudent savings ahead of target; management accounts – performance is good against Feb approved plan and May plan. Actions: - Additional stress testing to test resilience of revised financial plan - Update mitigation plan - need to find £15m - Revised FP to Board in September - Seek strategic opportunities (geography, product and services)

The Audit and Risk Committee has received the Chief Executive's annual report on the effectiveness of internal control systems, our mitigating actions and other assurance activity, together with the annual report from our internal and external auditors and reported its findings to the Board.

Service Risk Management

Strategic risks are supported by operational service risk registers, which are in place for all key service areas. These are reviewed by service directors, and progress against mitigating controls and actions are monitored quarterly. Thirteen Homes and Gus Robinson Developments have their own risk registers which are monitored by the Thirteen Homes Board at each meeting.

Management of Financial Risks

The Group uses various financial instruments including loans and cash, and other items such as rent arrears and trade creditors that arise directly from its operations. The main risks are interest rate risk, liquidity risk, counterparty and credit risk. The Board reviews and agrees policies for managing each of these risks and monitor these areas as part of the stress testing arrangements; these are summarised below.

We borrow and lend only in sterling and so we are not exposed to currency risk.

Interest rate risk

The Group finances its operations through a mixture of retained surpluses and bank borrowings. Our exposure to interest fluctuations is managed using both fixed and variable rate facilities.

Liquidity risk

The Group aims to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably.

Counterparty risk

The Group's policy requires counterparties to reach a minimum standard based on credit reference rating agency ratings. Counterparty limits are also in operation at £10m. All counterparties met this requirement at the balance sheet date.

Credit risk

Our principal credit risk is related to tenant arrears. This risk is managed by providing support to tenants with applications for housing benefit and to closely monitor the arrears of all tenants. As previously noted, changes to welfare benefits has been identified as a key risk to the Group.

Golden Rules

The Board's financial risk appetite is linked to the strategic risks and managed through a set of Golden Rules which identify acceptable tolerance levels for six financial measures:

Golden Rules	Golden Rule	2020 Achieved
Minimum cash equivalent	>£10m	£89.7m
Liquidity balance	£79.8m	£210.4m
Liquidity	24 months	46 months
Intra-group on-lending	<£20m	£11.2m
Interest cover	165%	236%
Gearing (1)	40%	30%
Asset Cover	200%	287%
Sales Risk	25%	8%
Contractor Exposure	30%	22%

(1) Gearing calculation for 'Golden Rules' and loan covenant purposes differs to that used for the VFM metrics

Operating Environment and Risk Management

Internal controls assurance

The Thirteen Board acknowledges its overall responsibility for establishing and maintaining a comprehensive internal control and risk management system, and for reviewing its effectiveness. The Board is also committed to ensuring that Thirteen adheres to the Governance and Financial Viability Standard and associated code of practice that includes adhering to all relevant law.

The Audit and Risk Committee is responsible to the Board for monitoring these arrangements and reporting on their effectiveness:

- Strategic and service risk reporting and monitoring
- Exceptional event and risk event reporting - reports to the leadership team and Audit & Risk Committee, including fraud, whistleblowing and control failures, defence against serious detriment and learning tools to ensure implementation of improvements or additional controls to prevent recurrence. Including, where appropriate, reporting to and feedback from Regulators.
- Stress testing and business planning arrangements
- Compliance assurance policy and associated dashboard - setting out our approach to managing business critical compliance issues and monitoring and reporting performance
- Business continuity plans (managing a major crisis), disaster recovery plans (loss of IT services) and local resilience arrangements (managing localised crisis issues), and systems of prevention and recovery to deal with potential threats to the business and ensure continuation of services
- Insurance arrangements - providing financial protection against loss and meeting legal obligations
- Assurance framework update reports and assurance monitoring reports - reflect internal and changes in the assurance operating environment and provide oversight of assurance matters
- Transparency reporting - overview of appropriate probity arrangements and related matters, including gifts and hospitality, letting of property and exceptions to standing orders
- Health and safety oversight – including policy, training, audit and monitoring arrangements

Management Controls

The following (non-exhaustive) controls are in place:

- Standing orders, financial regulations and delegations of authority
- Budget monitoring and management accounts
- Relevant financial and performance reporting to Boards and Committees
- Executive and service directors - meet separately and jointly to ensure delivery of Thirteen's strategic objectives and review performance
- Value for Money (VFM) framework - reviewing and articulating our approach to VFM, attainment of efficiencies and clarity on reinvestment, and ensuring we, and the Board, consider potential return on investment vs risk prior to approval of projects and opportunities
- Procedures and guiding principles to ensure legal compliance, consistency and adherence to an agreed policy or process
- Project management framework - ensuring a consistent, risk-based approach to considering, approving, monitoring and reporting on the implementation of projects
- Compliance framework to ensure the submission of timely and accurate regulatory and legislative returns, the implementation of relevant policies, procedures and training, and self-assessments against regulatory requirements
- Assets and liabilities register for use by the Board and Committees when making investment decisions
- Health and safety arrangements, Committee and work groups
- Data integrity arrangements to ensure consistent and accurate statistical and performance reporting and 'one version of the truth'
- People strategy, policies and procedures

Independent Assessment

Thirteen receives independent scrutiny, review and assurance from a variety of sources, including the following:

- Internal audit arrangements - providing independent assurance that our risk management, governance and internal control processes are operating effectively
- External audit arrangements - independent validation of the annual accounts and compliance with accounting standards
- Regulator of Social Housing - audits, including in-depth assessments and annual stability reviews
- Funders - compliance with loan covenants
- Ombudsman, HSE and environmental health – outcomes, opinions, recommended actions and enforcement requirements received as a result of audits and/or referrals
- Peer comparisons - allow for appropriate benchmarking and learning from other organisations and 'best in field'
- Independent reports and audits – assess our current status, provide specialist advice and/or alternative insight into topics and best practice. Boards and Committees can request independent advice on any topic at any time.
- Customer involvement framework and programme – ensuring compliance with the Tenant Involvement and Empowerment Standard, engagement with customers in the operation of the business and assessment of compliance with the consumer standards

The Board has reviewed the effectiveness of its systems of internal control, including risk management, for the year to 31 March 2020, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

The Audit and Risk Committee has agreed a protocol with the independent auditors, which sets out policies for determining the non-audit work that can be undertaken by the independent auditors and procedures for periodic review and selection of independent auditors. The level of fees paid for their work is set out in note 5 to the financial statements.

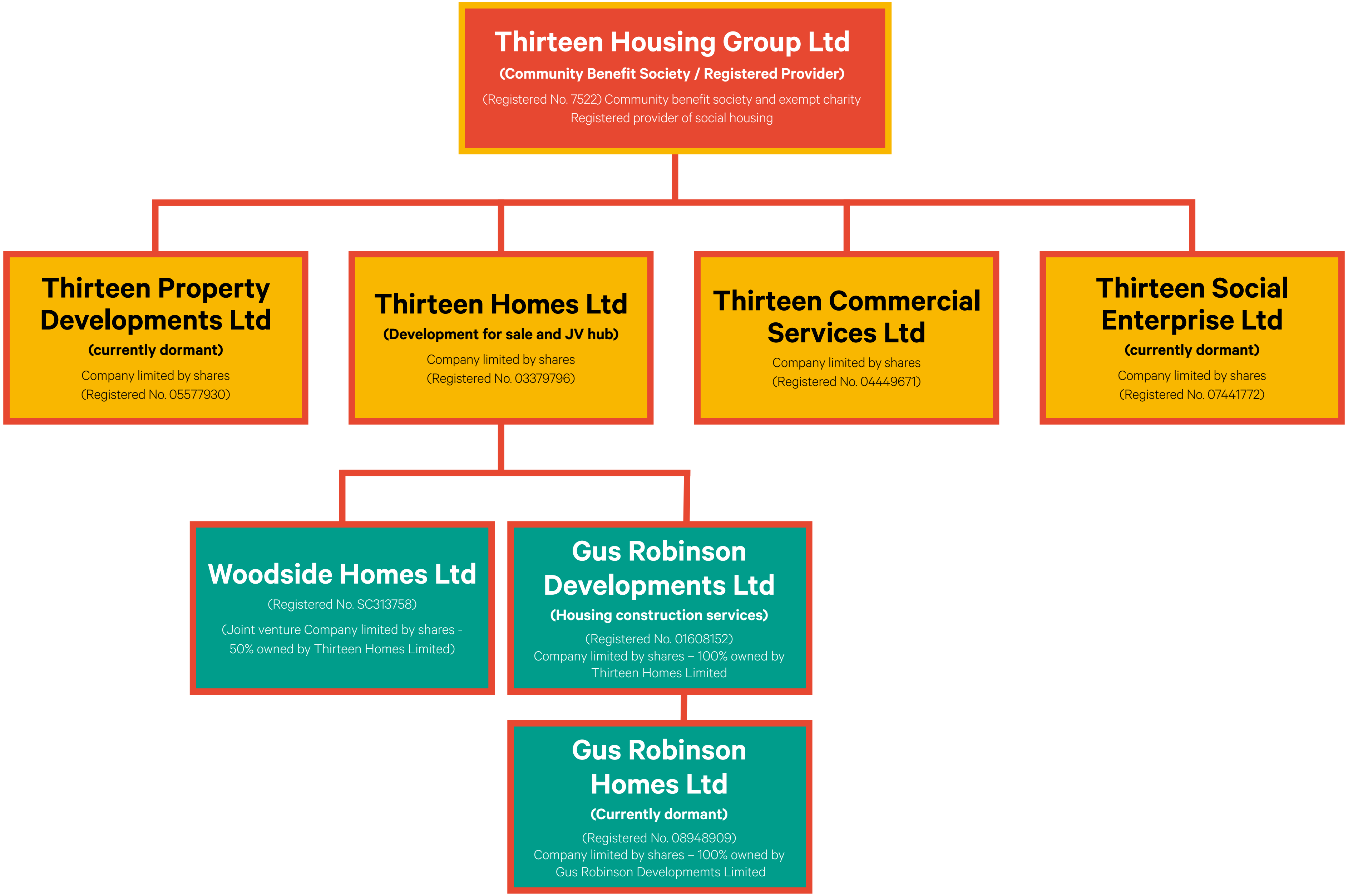
Going Concern

The Board has considered the financial impact of the strategic priorities and development plans as part of their approval of the latest financial plan in May 2020. The approval process included rigorous stress-testing of the plan to ensure its continuing viability under certain circumstances, specific to Thirteen, including the risk associated with the Covid-19 pandemic. The Group has long-term debt facilities in place, which includes £120.7m undrawn facilities at 31 March 2020 and is in line with financial plan forecasts.

On this basis, the Board has a reasonable expectation that we have sufficient resources to continue in operational existence for the foreseeable future; this being twelve months after the date this document is signed. For this reason, the Group continues to adopt the going concern basis in the financial statements.

Governance

The Group consists of a parent company with a number of subsidiary companies.



Thirteen Housing Group Limited

Thirteen is a community benefit society registered with the Financial Conduct Authority and a provider of social housing, registered with the Regulator of Social Housing (RSH). Thirteen is the parent organisation and landlord of the group and owns all the group's assets. Its principal activities are the management of social housing, the development of affordable homes and the provision of housing-related support and employability services.

Thirteen Commercial Services Limited

Thirteen Commercial Services is a private limited company registered at Companies House and is a wholly owned subsidiary of Thirteen. The main activities of Thirteen Commercial Services relate to lettings and management of commercial and non-social properties on behalf of Thirteen.

Thirteen Homes Limited

Thirteen Homes is a private limited company registered at Companies House and is a wholly owned subsidiary of Thirteen.
Thirteen Homes is responsible for the delivery of new homes for sale.

Thirteen Property Development Limited

Thirteen Property Development is a private limited company registered at Companies House. The company has been dormant throughout the year and remains dormant.

Thirteen Social Enterprises Limited

Thirteen Social Enterprises is a private limited company registered at Companies House. The company has been dormant throughout the year and remains dormant.

Gus Robinson Developments Limited

Gus Robinson Developments is a private limited company registered at Companies House and is a subsidiary of Thirteen Homes and supports Thirteen's new home delivery plan.

Gus Robinson Homes Limited

Gus Robinson Homes is a private limited company registered at Companies House and is a subsidiary of Gus Robinson Developments. The company has been dormant throughout the year and remains dormant.

Woodside Homes Limited

Woodside Homes is a private limited company registered at Companies House and is a joint venture of which Thirteen Homes owns 50% of the shareholding.

The Thirteen Board

The Thirteen Board is committed to achieving the highest standards of corporate governance in its oversight of the delivery of Thirteen's strategic plan, risk management, values and ethics. During the financial year, we continued to follow best practice with regard to corporate governance and complied with the NHF's Code of Governance 2015, with one exception; we opted to extend the term of office for one board member to retain essential skills, whilst the recruitment process for a replacement was paused due to COVID-19 lockdown arrangements.

A Board of ten non-executive directors and one executive director (the Chief Executive) currently governs the Group, supported by one subsidiary Board, Thirteen Homes, and four Committees, Remuneration, Audit and Risk, Treasury, and Development & Investment, with day to day management delegated to the Executive Team. The chairs of each of the four Committees hold positions as non-executive directors on the Thirteen Board, as does the chair of Thirteen Homes, with the balance made up of five independent non-executive directors, including the Chair of Thirteen.

The Chief Executive becomes a board member at the start of employment.

Governance

Thirteen Homes Board

The Thirteen Homes Board consists of four non-executive directors and is responsible for developing and delivering against the Thirteen Homes' and Gus Robinson Developments' business plans to ensure they support the delivery of the objectives within Thirteen Housing Group's strategic plan, as well as monitoring performance in relation to Thirteen Homes' developments and the activities of Gus Robinson Developments.

All board directors within Thirteen Group have been appointed, with the support of an external consultant, to achieve a complementary blend of skills and experience to ensure that the Boards possess the necessary competencies to carry out their duties. This is supported by a Board performance review programme as well as Board induction, development and training.

Non-executive board directors are appointed for a fixed term of six years, subject to a satisfactory performance review, unless the Board determines a different fixed period prior to the appointment. Non-executive board directors appointed under this article retire at the end of their fixed term but may be reappointed by the Board up to a maximum term of nine years if required.

Remuneration paid to non-executive directors of the Group in the financial year was £160,479 (2019: £122,884). A breakdown of remuneration paid to each non-executive director is included in Note 10 to the financial statements.

Committee Structure

Each Committee has dedicated terms of reference and delegated responsibility for specific functions, to provide the Board with assurance on internal control, risks, compliance, financial viability, investments and employee relations.

Audit and Risk Committee - provides assurance to the Board that we are complying with our statutory duties. Its role is to scrutinise self-assessments against regulatory and legal requirements and to monitor, review and challenge the Group's strategic assurance framework, including external and internal auditor reports, compliance and risk management arrangements and controls. This in turn provides assurance to the Board that we comply with regulatory and legislative requirements and have an effective and adequate internal control system which reflects the nature, size and strategy of the group.

Treasury Committee - responsible for our financial health and effective long-term financial planning. Its role is to review, on behalf of the Board, all decisions in respect of lending and borrowing, to scrutinise new lending instruments and arrangements, and generally monitor the performance of our loan portfolio. Development and Investment Committee - responsible for considering new business and commercial growth projects and opportunities, including development and regeneration projects, and making recommendations to Thirteen Board for approval.

Remuneration Committee - provides a formal and transparent mechanism for developing payments, remuneration, recruitment and performance review policies and arrangements for executives and board directors and overseeing our people responsibilities.

Executive directors

The executive directors are employed and participate in the Group's pension schemes on the same terms as other staff and hold no interest in Thirteen's shares. They act as executives within the authority delegated by the Board.

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group also purchased and maintained directors' and officers' liability insurance in respect of itself and its directors throughout the financial year.

Board meeting attendance

Board member	Thirteen	Thirteen Homes	Audit & Risk Committee	Remuneration Committee	Treasury Committee	Development & Investment	Attendance
George Garlick	Chair						5/5
Clare Brayson	✓			Chair			9/9
Mark Simpson	✓			✓			7/9
Steve Nelson	✓					✓	11/12
Brian Dinsdale (to Dec 2019)	✓				✓		7/9
Annette Clark	✓		Chair				9/9
Andrew Lean (to Dec 2019)	✓				Chair	Chair	14/15
Richard Buckley	✓	Chair					8/9
Christopher Newton	✓						4/5
Zoe Lewis		✓					3/4
Laura Mack (from July 2019)		✓				✓	9/9
Kiersten Avery (to July 2019)						✓	0/1
Miriam Harte			✓		✓	✓	5/10
Keith Hurst			✓				4/4
Christine Storrs	✓		✓				9/9
Neil Pattison					✓	✓	9/13
Nadeem Ahmad				✓			4/4
Andrew Wilson (from July 2019)			✓			✓	10/10
Caroline Moore				✓			2/4
Robert Goward				✓			4/4
Vishnu Reddy (from July 2019)		✓			✓		8/8
Nick Taylor					✓	✓	11/12
David Swann (from Dec 2019)	✓				Chair		4/4
Anthony Riley (from Dec 2019)	✓					Chair	4/4
Ian Wardle	✓						5/5
Barbara Heather Ashton				✓			4/4

Governance

Compliance

In November 2019 our annual stability check carried out by the Regulator of Social Housing reaffirmed the G1/V1rating from our in-depth assessment carried out between November 2017 and January 2018. This judgement is the highest rating achievable and confirms a continuing culture of strong governance, financial viability and sound financial management arrangements.

The Board has carried out its annual assessment of compliance with the RSH's regulatory framework, reviewing performance against the economic regulatory standards to confirm compliance and receiving assurance from our involved customers that we are compliant with the consumer standards.

Property compliance is monitored by the Audit and Risk Committee and Board. Our internal auditors, Mazars, audited Thirteen's approach to health and safety in the key risk areas of gas, legionella, asbestos, lifts and electrical safety, in terms of the robustness of the data that drives these programmes and the approach to monitoring compliance. An overall assurance rating of 'good' has been given for this review. Audit and Risk Committee reports assurance of compliance to Thirteen Board.

The Board also reviewed its governance arrangements for compliance against its adopted code of governance, the National Housing Federation's Code of Governance 2015, and considered we were fully compliant for the year ending March 2020. We became non-compliant at the end of May 2020 as a result of the Board approving the extension of one board member's term of office beyond 9 years to retain essential skills whilst the recruitment process for a replacement was paused due to Covid-19 lockdown arrangements. Arrangements are now in place to re-commence the recruitment process with a view to appointing before the end of September 2020.

The Board is confident that these assessments and the strengthening of our governance, compliance and risk management arrangements, provide assurance that the governance framework across the organisation is strong.

NHF Merger Code

We have signed up to the voluntary NHF Merger Code and comply with the principal recommendations within the code.

Modern Slavery Act 2015

We are committed to understanding modern slavery risks and ensuring we comply with our legal and statutory responsibilities. We have a statement of compliance with the requirements of the act, which details the actions we take to ensure that slavery and human trafficking do not exist in any part of the group or supply chain. The statement is reviewed annually by the Board and is available on our website.

Consumer Regulation and Tenant Safety

The tragic fire at Grenfell Tower raised questions nationally about accountability, trust and transparency between landlords, tenants and residents. This, together with consultation on the Government's Social Housing Green Paper 'A new deal for social housing', is informing Government policy and we are still waiting for the White Paper to be published, setting out what action will be taken to rebalance the relationship between landlords and tenants.

In the meantime, the National Housing Federation (NHF) developed the Together with Tenants Charter to protect the rights and interests of tenants and residents. The proposed charter has a clear set of commitments which require all landlords to be open and transparent with tenants, keeping them informed of and consulted on the strategic direction and performance of the organisation; focusing on relationships, communication, customer voice and influence, accountability, quality and what happens when things go wrong.

Thirteen was selected to be an early adopter of the charter and we have provided information about how we consult and involve customers. Our customers have been consulted on the charter commitments to ensure they agree they are the right thing to do and can be measured. Customers will be responsible for monitoring and reporting on compliance with the charter when published.

When consulted, our customers felt that the Customer Involvement Framework, agreed with them in 2018 and reviewed in 2019, had sufficiently strengthened our approach to consulting and involving customers and therefore we are well placed to meet the requirements of the proposed charter.
Thirteen has adopted the National Housing Federation's (NHF) Code of Governance which is currently under review. NHF will be incorporating the commitments of the charter into the code to strengthen the relationship between customers and Board.

As a result of the Building a Safer Future – Independent Review of Building Regulations and Fire Safety, a new Building Safety regulator has been introduced. Thirteen customers living in high risk or complex residential buildings will review recommendations and support the implementation of the building safety standards recommended by the Building Safety regulator. A Building Safety group has been incorporated into our Customer Involvement Framework to monitor compliance with the building safety standards.

Our focus and commitment to tenant safety remains the highest priority for Thirteen and investment in our existing properties during 2020/21 will include:

- Concluding the installation of sprinkler and mechanical smoke ventilation systems
- New fire alarms, smoke detection & fire stopping at a number of our sheltered and extra care schemes
- A smoke alarm and CO detector programme with installation as and when required subject to findings
- Implementation of actions from our fire risk assessment programme, including the installation of new fire doors, alarms, fire stopping and signage.

Streamlined Energy and Carbon Report

		Emissions in Kwh	Emissions in tCO2e	Intensity ratios	
				tCO2e/£MT	tCO2e/FTe
Scope 1 Emissions	Gas	16,950,057	3,116		
	Fleet Fuel	6,749,922	1,657		
	F Gas	n/a	19		
Scope 2 Emissions	Purchased Electricity	8,702,279	2,224		
Total direct emissions		**32,402,258**	**7,016**	**37.92**	**4.53**
Scope 3 Emissions	Staff Mileage	1,054,546	262		
Total indirect emissions		**33,456,804**	**7,278**	**39.34**	**4.70**

At Thirteen we are committed to reducing our environmental impacts and carbon footprint. Establishing our baseline carbon footprint is key to achieving this, as it provides us with an understanding of the emissions resulting from our business activities and will help us focus our efforts to reduce our impacts with maximum effect.

To achieve a reduction in our environmental impacts we need to think of the bigger picture and how this impacts our customers, our homes and our business. We will be looking at what needs to be done to deliver sustainable homes which are fit for the future and that are right for our customers. We will also discover how we can add value through initiatives, such as tackling fuel poverty, while we continually educate our customers. We will be looking at how we can reduce emissions from service delivery, from the energy we purchase to the way we travel and the materials we purchase.

The development of our approach will see everyone at Thirteen taking responsibility for reducing their impacts and will help us achieve our goals to becoming a much greener organisation.

Our results for 2019/20 are:

- The Group emitted 7,016 tCO2e (tonnes of carbon dioxide equivalent) with an intensity indicator of 4.53 tCO2e per total full-time equivalent employee (FTE) and 37.92 tCO2e per £m turnover.
- When Scope 3 is added, this brings the total to 7,278 tCO2e with an intensity indicator of 4.70 tCO2e per FTE and 39.34 tCO2e per £m turnover.

The methodology used:

- The Group's baseline carbon footprint has been calculated in line with the Government's Streamlined Carbon Emissions Reporting guidelines through an operational control approach.
- The date period is 1 April 2019 to 31 March 2020 and includes all scope 1 and 2 emissions within the operational control of the Group. Scope 3 emissions for car business travel undertaken by employees has also been included.
- The methodology adopted is in line with the Greenhouse Gas Protocol1 and the BEIS Environmental Reporting Guidelines2.
- The calculations were completed on the SmartCarbon™ Calculator3 using the UK Government emissions factors4.

The data used does not contain any estimations or exclusions.

Energy efficiency measures taken and planned include; 880,873 kWh of energy was produced via photovoltaic panels on our office buildings, preventing the emission of 22.70 tCO2e. Additional photovoltaic panels with battery storage capacity is to be installed at our Thirteen Recycling Centre. This system will have the capacity to remove a further 50.11 tCO2e.

The development of our approach to reduce our environmental impacts and carbon footprint will set the direction for further energy efficiency measures.

Financing our priorities

The Group's latest financial plan for 2021-2050 was approved by the Board in September 2020 and incorporates the ongoing delivery of our ambitious development programme with plans to deliver a further 5,740 homes over the next 9 years. Delivery of this programme has been impacted upon by the cessation of work on site due to Covid-19 and the plan prudently allows for a delay in delivery of new units and subsequent sales receipts. This investment will be funded by social housing grant from Homes England, additional borrowing and internally generated surpluses, and includes properties developed under the WAVE1a Homes England Strategic Partnership and 98 homes for sale developed by our subsidiary, Thirteen Homes.

The current financial plan is loan covenant compliant and is within the financial golden rules for the life of the plan. Robust stress testing has been carried out on the plan, including single factor and multi-variant scenarios plus the potential impact of Covid-19, demonstrating the resilience of the plan. For multi-variant scenarios which could break the plan, mitigations are in place which also consider how soon the solution could be put in place, with these mitigations being tested throughout the year and managed by Audit & Risk Committee.

The plan includes stretching efficiency targets which will enable us to deliver the priorities in the strategic plan, make efficient use of our available resources, whilst retaining the capacity to react to market conditions and external influences, and remain compliant with loan covenants and key financial measures, our 'golden rules'.

We continue to undertake stock condition surveys of our housing stock on a rolling programme to understand the level of repair and maintenance expenditure required, to inform the financial plan and strategic priorities.

VFM continues to be a fundamental principle of Thirteen group strategy and, led by the Board, we continue to embed efficiency across all group activities and decisions. The 2020 financial plan has been produced and approved to deliver the strategic priorities of the Group, ensure available resources are correctly directed to achieving these aims and priorities, and be within loan covenant and golden rule targets. The impact of Covid-19 is being regularly assessed, with potential impact upon the financial plan and VFM metrics considered.

Value for Money Metrics	Financial Plan					Target	Actual
	2025	2024	2023	2022	2021	2020	2020
Reinvestment %	7.3%	8.6%	8.6%	9.7%	8.3%	8.3%	7.9%
New supply delivered (Social housing units) %	1.7%	2.1%	2.0%	1.9%	1.5%	1.1%	1.2%
New supply delivered (Non-social housing units) %	0.3%	0.6%	0.0%	0.0%	0.1%	0.2%	0.0%
Gearing %	26%	27%	26%	25%	23%	28%	24%
EBITDA MRI Interest Cover %	398%	354%	317%	266%	274%	206%	205%
Headline Social Housing Cost per Unit	£3,704	£3,694	£3,638	£3,632	£3,370	£3,807	£3,650
Operating Margin (social housing lettings) %	30.0%	29.4%	28.6%	30.1%	29.1%	30.3%	28.9%
Operating Margin (overall) %	22.1%	20.4%	20.7%	21.7%	20.6%	20.2%	18.7%
Return on Capital Employed %	3.9%	3.6%	3.5%	3.5%	3.3%	3.5%	3.2%

Investment

The financial plan includes for substantial investment in our existing properties as well as the development of new housing to increase supply of homes for affordable rent, shared ownership and outright sale, with delivery peaking in 2022 and 2023.

Financial performance

The metrics above demonstrate that the financial plan delivers a robust level of financial measures, which is aligned to our peers (utilising appropriate peer groups from the global accounts and Housemark benchmarking).

The plan delivers an EBITDA MRI Margin of 19.8%, in line with the results for 2019/20, demonstrating the level of surplus generated from turnover. The plan includes for the future plans of the Group's subsidiaries, including a return for profit for Thirteen Homes and GRD once both companies are operating fully.

Whilst our operating environment remains challenging, the Group's financial position remains strong, able to meet these challenges whilst achieving our strategic priorities to invest over £1bn to improve our services, tenants homes and their neighbourhoods, as well as delivering new affordable homes.

Statement of Board's Responsibilities

The Board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Registered Social Landlord (RSL) and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL will continue in business

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the RSL's transactions and disclose with reasonable accuracy at any time, the financial position of the RSL and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations thereunder the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2019.

It is also responsible for safeguarding the assets of the RSL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual General Meeting

The Annual General Meeting takes place on 23 September 2020

Independent Auditors

PricewaterhouseCoopers LLP continues its term as independent auditor for Thirteen Housing Group Limited.

This report was approved by the Board of Thirteen Housing Group Limited on 23 September 2020 and signed by order of the Board by:

George Garlick
Chair of Thirteen Housing Group


£1bn

Independent Auditors' Report to the Members of Thirteen Housing Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Thirteen Housing Group Limited's Group and Association's financial statements ("the financial statements"):

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020, of the group's and association's income and expenditure, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2019.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Group and Association Statements of Financial Position as at 31 March 2020; the Group and Association's Statements of Comprehensive Income; the Group and Association Statements of Changes in Reserves; the Group Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Association's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 50, the Board is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Board is also responsible for such internal control as it determines 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 is responsible for assessing the Group's and Association'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 intends to liquidate the Group and Association or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Association as a body in accordance with Section 87 (2) and Section 98 (7) of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Co-operative and Community Benefit Societies Act 2014 exception reporting

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Association; or
- the Association financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
24 September 2020

Group and Association Statements of Comprehensive Income

For the year ended 31 March 2020

	Note	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Turnover	3	185,657	180,338	165,027	171,507
Cost of sales	3	(26,695)	(18,508)	(6,723)	(10,040)
Operating expenditure	3	(124,195)	(129,827)	(121,410)	(128,472)
Gain on disposal of fixed assets	6	2,873	2,757	2,871	2,757
Operating surplus	5	37,640	34,760	39,765	35,752
Revaluation of fixed assets	12, 13	(6,370)	-	(6,370)	-
Change in valuation of investment properties	14	250	-	250	-
Interest receivable	7	29	79	309	79
Interest payable and similar charges	8	(10,432)	(10,352)	(10,428)	(10,325)
Other finance costs	29	(1,325)	(1,402)	(1,318)	(1,404)
Gift Aid		-	-	148	185
Surplus on ordinary activities before taxation		19,792	23,085	22,356	24,287
Tax on surplus on ordinary activities	11	182	35	(19)	(8)
Surplus for the year		19,974	23,120	22,337	24,279
Actuarial (loss)/gain in respect of pension schemes	29	(5,672)	2,862	(5,616)	3,254
Initial recognition of defined benefit scheme	29	-	(5,809)	-	(5,809)
Movement on deferred tax	11	11	67	-	-
Total comprehensive income for the year		14,313	20,240	16,721	21,724

The consolidated results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements on pages **54** to **116** were approved and authorised for issue by the Board of directors on 23 September 2020 and signed on its behalf by:

George Garlick
Director

Ian Wardle
Director

Barbara Heather Ashton
Secretary

Group and Association Statements of Changes in Reserves

For the year ended 31 March 2020

Group	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
As at 1 April 2018	310,226	7,315	284,711	602,252
Surplus for the year	23,120	-	-	23,120
Other comprehensive expense	(2,880)	-	-	(2,880)
Transfer with the revaluation reserve	4,245	-	(4,245)	-
Transfer with the restricted reserve	6,877	(6,877)	-	-
As at 31 March 2019	341,588	438	280,466	622,492
Surplus for the year	19,974	-	-	19,974
Other comprehensive expense	(5,661)	-	(499)	(6,160)
Transfer with the revaluation reserve	4,258	-	(4,258)	-
Transfer with the restricted reserve	(482)	482	-	-
As at 31 March 2020	359,677	920	275,709	636,306

Association	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
As at 1 April 2018	310,119	7,315	284,711	602,145
Surplus for the year	24,279	-	-	24,279
Other comprehensive expense	(2,555)	-	-	(2,555)
Transfer with the revaluation reserve	4,245	-	(4,245)	-
Transfer with the restricted reserve	6,877	(6,877)	-	-
As at 31 March 2019	342,965	438	280,466	623,869
Surplus for the year	22,337	-	-	22,337
Other comprehensive expense	(5,616)	-	(499)	(6,115)
Transfer with the revaluation reserve	4,250	-	(4,250)	-
Transfer with the restricted reserve	(482)	482	-	-
As at 31 March 2020	363,454	920	275,717	640,091

The revaluation reserve relates entirely to the revaluation of housing properties.

Restricted reserves are made up of unexpended grants and donations to be applied for specific purposes.

At 31 March 2020, the group and association income and expenditure reserve included £71.2m and £70.8m defined pension liability, respectively (2019: £60.9m and £60.6m).

The accompanying notes form part of these financial statements.

Group and Association Statements of Financial Position

As at 31 March 2020

	Note	Group		Association	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fixed assets					
Tangible fixed assets	12, 13	1,082,409	1,040,116	1,081,813	1,039,497
Investment properties	14	8,665	3,865	8,570	3,770
Intangible assets and goodwill	15	1,800	1,861	-	-
Homebuy loans receivable	16	967	982	967	982
Financial assets	17	1	1	-	-
Investments in subsidiaries	18	-	-	50	50
Total fixed assets		1,093,842	1,046,825	1,091,400	1,044,299
Current assets					
Stock	19	13,985	9,714	8,094	9,658
Trade and other debtors	20	22,137	20,185	29,153	18,807
Cash and cash equivalents	21	89,745	9,245	89,544	7,347
		125,867	39,144	126,791	35,812
Creditors: amounts falling due within one year	22	(45,063)	(50,377)	(40,128)	(43,488)
Net current assets/(liabilities)		80,804	(11,233)	86,663	(7,676)
Total assets less current liabilities		1,174,646	1,035,592	1,178,063	1,036,623
Creditors: amounts falling due after more than one year	23	(467,134)	(352,207)	(467,123)	(352,195)
Provisions for liabilities					
Pension provisions	29	(71,206)	(60,893)	(70,849)	(60,559)
Total net assets		636,306	622,492	640,091	623,869
Reserves					
Income and expenditure reserve		359,677	341,588	363,454	342,965
Revaluation reserve		275,709	280,466	275,717	280,466
Restricted reserve		920	438	920	438
Total Reserves		636,306	622,492	640,091	623,869

The accompanying notes form part of these financial statements.

The financial statements on pages **54** to **116** were approved and authorised for issue by the Board of directors on 23 September 2020 and signed on its behalf by:

George Garlick
Director

Ian Wardle
Director

Barbara Heather Ashton
Secretary

Group Statement of Cash Flow

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	32	36,102	57,261
Cash flow from investing activities			
Purchase of tangible fixed assets		(90,244)	(68,262)
Proceeds from sale of tangible fixed assets		15,701	18,180
Loans repaid by home owners	16	15	65
Grants received		34,262	12,495
Interest received	7	29	79
Acquisition of subsidiaries net of cash acquired		-	(1,137)
		(40,237)	(38,580)
Cash flow from financing activities			
Interest paid		(14,020)	(11,988)
New secured loans		125,000	14,000
Repayments of borrowings		(26,345)	(18,863)
		84,635	(16,851)
Net change in cash and cash equivalents		80,500	1,830
Cash and cash equivalents at beginning of the year		9,245	7,415
Cash and cash equivalents at end of the year		89,745	9,245

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Statement of compliance

Thirteen Housing Group Limited is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (RSH) as a private registered provider of social housing.

The financial statements of the group and association have been prepared in compliance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as it applies to the financial statements of the group and association for the year ended 31 March 2020.

2. Accounting policies

Basis of accounting

The financial statements of the group and company are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102, the Financial Reporting Standard applicable in the UK and Ireland (FRS 102) and the Housing SORP 2018: statement of recommended practice for registered social housing providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. Accounting policies have been applied consistently throughout the year. The financial statements are prepared on a going concern basis, under the historical cost convention.

The group applies the exemption available under Paragraph 1.11 of FRS 102 to not prepare an individual statement of cash flows in the financial statements of its subsidiary companies or the association. A consolidated statement of cash flows is included in the consolidated financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except for investment properties which are held at fair value through the income and expenditure.

Basis of consolidation

The group financial statements consolidate the financial statements of the association and its subsidiaries at 31 March. The group reconstruction in 2018 has been accounted for as a merger in accordance with sections 19.27 to 19.33 of FRS102 and, as the group is a Public Benefit Entity, sections PBE 34.80 to PBE 34.86 of FRS 102. Accounting policies have been applied consistently across the group.

Subsidiaries are consolidated using acquisition accounting, from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Gus Robinson Developments became a wholly owned subsidiary of Thirteen Homes on 4 December 2018 and has been included in the group financial statements since the acquisition date.

Intra-group transactions, balances and unrealised surpluses on transactions between group entities are eliminated on consolidation.

Notes to the Financial Statements

2. Accounting policies (continued)

Turnover

Turnover comprises income from lettings, revenue grants and contract income, income from properties built for outright sale, first tranche shared ownership sales and income from the sale of goods and rendering of services.

Rents and service charges from lettings are recognised net of losses from voids. Income is recognised from the date the property is first let.

Income from first tranche shared ownership sales and properties built for outright sale is recognised at the point of legal completion of the sale.

Income from the sale of other goods and rendering of services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the consideration will be received;
- The stage of completion of the contract at the end of the reporting period can be measured reliably;
- The costs incurred and the costs to complete the contract can be measured reliably.

Social Housing Grant (SHG) and other grants relating to revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate. Where grants are received in advance of revenue expenditure they are included in creditors until the expenditure has been incurred.

Supporting People and other contract income is recognised when it is entitled to be received under the terms of the contract. Where contracts include an element that is subject to certain conditions being satisfied (eg “payment by results”) this element is recognised once it has been verified that those conditions have been met.

Losses from bad debts are included in operating costs.

Bad debts

Provision is based on collection rate experience and consideration of future changes which may affect collection rates. Where there is a policy in the organisation not to collect 100% of the income chargeable, the amount not collectable is provided immediately.

Bad debts are written off against the provision once all avenues for collection have been exhausted.

Value added tax

The group charges VAT on a small part of its income and is able to recover VAT on expenditure related to that income. The group also operates a partial exemption method that allows it to reclaim VAT on a proportion of its overheads.

The group has in place a number of agreements to improve existing properties with local authorities. These agreements allow the group to recover VAT on the improvement works to existing properties that fall under the terms of the agreement.

The financial statements of the group include VAT to the extent that it is borne by the group and not recoverable from HM Revenue and Customs. The balance of VAT receivable or payable is included in debtors or creditors.

Notes to the Financial Statements

2. Accounting policies (continued)

Retirement benefits

The group participates in three funded multi-employer defined benefit schemes, the Teesside Pension Fund (TPF), the Social Housing Pension Scheme (SHPS) and the Gus Robinson Developments Limited Pension & Assurance Scheme. There are two defined contributions schemes with Aegon for employees of Thirteen Housing Group and separately for employees of Gus Robinson Developments.

For SHPS, in previous years, it was not possible to identify the group's share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore, the contributions to these schemes are treated as defined contributions. Where the scheme was in deficit and where the association had agreed to a deficit funding arrangement the association recognised a liability for this obligation. The amount recognised was the net present value of the deficit reduction contributions payable under the agreement that related to the deficit.

For the year ended 31/03/2019, it has been possible to identify the group's share of the underlying assets and liabilities. Therefore, the accounting for the scheme can now be treated as defined benefits in the same way as The Teesside Pension Fund (TPF).

For SHPS, TPF and Gus Robinson Developments defined benefit schemes, the net scheme asset or liability is recognised in the statement of financial position. The operating costs of providing retirement benefits to participating employees are recognised in the financial years in which the benefits are earned. The related finance costs, and any other changes in fair value of the assets and liabilities are recognised in the financial year in which they arise. The operating costs and finance costs are recognised in the statement of comprehensive income with any other changes in fair value of assets and liabilities being recognised in other comprehensive income.

Interests in joint ventures

The association has contractual agreements with other participants to engage in joint activities that do not create an entity carrying on trade or business of its own. The association accounts for its own share of assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of the arrangement.

Housing properties

Housing properties are classified as property, plant and equipment where they are held for social benefit. Housing properties are principally properties available for rent and properties subject to shared ownership leases.

As a result of the group restructure that took place on 1 July 2017, housing properties, as with all assets and liabilities, were transferred to Thirteen Housing Group Limited at their carrying value rather than being adjusted to fair value in accordance with section 19.29 of FRS 102.

The association measured additions to existing properties and properties under construction at cost. Costs include the direct costs of acquisition including fees, development staff costs, development period interest and expenditure incurred on improvements.

Expenditure on improvements that enhance the economic benefits of an asset by increasing its rental stream, reducing future maintenance costs or significantly extending its useful economic life or that restores or replaces a component that has been treated separately for depreciation purposes is capitalised.

Notes to the Financial Statements

2. Accounting policies (continued)

Shared ownership and other shared equity schemes

The cost of unsold shared ownership properties, including those under construction, are split proportionally between current and fixed assets according to the expected percentage of the first tranche sale. The cost of the expected first tranche is included in current assets with the remainder being included in fixed assets.

Loans to purchasers of properties sold under shared equity schemes are included in fixed asset investments.

Investment property

Investment property consists of housing properties not held for social benefit. Investment property is carried at fair value which is considered to be its open market value. Changes in fair value are recognised in income and expenditure.

Depreciation of housing properties

Freehold land is not depreciated. Depreciation of buildings is provided on the cost or valuation, so as to write down the net book value of housing properties to their estimated residual value. Depreciation is calculated on a straight line basis over the useful economic life of the building which ranges from 25-125 years.

Housing properties formerly held by Thirteen Care and Support are not broken down into separable assets and are depreciated at rates calculated to write off the cost less estimated residual value over a life of 50 years. This is a departure but does not result in a material difference in charges.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Major components are treated as separable assets and depreciated over their expected useful economic lives, or the lives of the structure to which they relate if shorter. The lives for components in year are as follows:

	Years
• Land	Not depreciated
• Structure	25-125
• Structural works	25-125
• Short Leasehold	Over life of lease
• Roofs	50
• Kitchens	20

	Years
• Bathrooms	30
• Windows	30
• Doors	30
• Electrical	30
• Heating	15
• Boiler only	15

	Years
• Compliance & Security	12
• Aids & Adaptations	15
• Environmental works	15
• Air Source Heat Pumps	20
• Solar/PV Panels	25

Impairment

Fixed assets are reviewed for impairment if there is an indication that impairment may have taken place.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount, being the higher of the net realisable value and the value-in-use. Any such write down is charged to the operating surplus, unless it is a reversal of a past revaluation surplus.

Notes to the Financial Statements

2. Accounting policies (continued)

Other tangible fixed assets

Other fixed assets are measured at cost. Only costs that can be directly attributed to acquiring the asset and bringing it into use are capitalised. Other fixed assets are depreciated over their useful economic lives on a straight line basis to their residual value. Freehold land is not depreciated.

The principal useful economic lives used for the depreciation of other fixed assets are:

	Years		Years
• Freehold buildings	25-125	• Motor vehicles	5
• Leasehold property	Over life of lease	• Other plant and equipment	10
• Furniture and fittings	5	• Market rented equipment	10
• Computers & office equipment	5	• Service chargeable fittings	3-35

Leased assets

The rental payable under operating leases is charged to the income and expenditure account on a straight-line basis over the term of the lease.

Stocks and work-in-progress

Stocks of properties for sale including shared ownership first tranche sales, completed properties for outright sale and properties under construction, are valued at the lower of cost and net realisable value. Cost includes direct costs, attributable overheads and development period interest. Net realisable value is based on estimated sales price after allowing for further costs of completion and disposal.

Stocks of repair materials are valued at the lower of cost and net realisable value.

Social housing grant

Social housing grant (SHG) is receivable from Homes England and is used to support the build and development of housing properties.

SHG is held on the statement of financial position and amortised to the statement of comprehensive income over the life of the property asset which the grant was received for.

SHG due, or received in advance, is included as a current asset or liability.

SHG received in respect of revenue expenditure is credited to the comprehensive income and expenditure statement in the same financial year as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with Homes England.

SHG released on the sale of a property may be repayable but is normally available to be recycled and is credited to the recycled capital grant fund (RCGF) and included in the statement of financial position in creditors.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the comprehensive income and expenditure statement. Upon disposal of the associated property, the group is required to recycle these proceeds. A contingent liability is disclosed to reflect this.

Notes to the Financial Statements

2. Accounting policies (continued)

Other grants

Other grants may be receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. The accounting treatment for capital grants is dependent upon the source of the funding:

- Grants from government sources are held on the statement of financial position as a deferred capital grant, and amortised to the statement of comprehensive income statement over the life of the structure of the property.
- Grants from non-government sources are recognised in the statement of comprehensive income once any conditions attached to the receipt of the funding has been met.

Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same financial year as the expenditure to which they relate.

Reserves

The group establishes restricted reserves for funds that are subject to external restrictions and must be applied for specific purposes.

Where properties are held at valuation or deemed cost, the difference between the valuation and the carrying value of the housing properties is credited to the revaluation reserve.

Significant judgements

The following are the significant management judgements that have been made when applying the accounting policies of the group and association.

Property classifications

The fixed assets within the group have been assessed to determine whether they are investment properties or property, plant and equipment. Management have considered the purpose to which the assets are held, and concluded that, with the exception of properties held for market rent, all fixed assets are held primarily for their social benefit and as such have been classified as property, plant and equipment. Relevant factors that have been considered as part of this assessment include:

- Operated at below market rent
- Held for the provision of a service
- Part of regeneration or community investment
- Supported by government grant

Notes to the Financial Statements

2. Accounting policies (continued)

Impairment assessment

Indicators of impairment are considered annually and where an indicator exists, an impairment assessment is performed.

For each cash generating unit identified, its recoverable amount is compared to its carrying amount. The recoverable amount is the higher of the value in use or the fair value less costs to sell. Management have applied the judgement that they hold their properties for their social benefits and therefore a valuation based purely on cash flows does not reflect their service potential. Management have applied the principles of the SORP and utilised a depreciated replacement cost measurement as an estimate of the value in use, service potential, for social housing properties that are not voids.

In determining these estimates, a cash generating unit is utilised which are properties:

- of a similar size
- of a similar tenure
- within a geographical area that has similar market characteristics

Financial instrument classifications

The financial instruments held by the group have been assessed to determine whether they meet the basic or non-basic criteria set by FRS 102. It has been concluded that all financial instruments are basic and are therefore held using the historic cost convention.

Revaluation reserve

In the absence of asset-specific historical accounting records for properties previously held by Tristar Homes and Housing Hartlepool, management have calculated the movement between the revaluation reserve and the income and expenditure reserve relating to asset disposals and depreciation in the following way: the revaluation balance at 31 March 2015 was apportioned over all existing assets, at deemed cost, at that date and this apportionment value was used to calculate the movement between reserves. The adjustment was calculated in line with the useful economic life of the structure component. The effect of this adjustment is that as the structure depreciates, the revaluation reserve apportioned to it reduces at the same rate.

Agreements to improve existing properties

Tristar Homes, Housing Hartlepool and Erimus Housing (the landlords) entered into agreements to purchase improved properties from the local authority and, at the same time, entered into sub-contracting agreements to carry out those improvements on behalf of the local authority for a fixed sum established in advance.

The impact of these transactions was that, whilst the local authorities have a legal obligation to the landlord to complete the refurbishment works, this work has been contracted back to the landlord which is also legally obligated.

The underlying substance of the transaction is therefore that the landlords acquired the properties in their existing condition at their agreed value, and would complete certain repairs and improvements in line with the legal agreement.

In the opinion of the directors, the commercial effect of these transactions, when viewed as whole, did not in practice create separate assets and liabilities for reporting purposes. Therefore, the resulting debit and credit balances relating to the legal obligation of the council to complete the refurbishment works for the landlords and the equal and opposite legal obligation of the landlords to perform the refurbishment works for the council were offset, and were not recorded in the balance sheet.

Notes to the Financial Statements

2. Accounting policies (continued)

Estimation Uncertainty

Property components and lives

Management review the assigned lives of assets and individual components. A detailed review was carried out in 2018 which included decisions on the appropriate lives. These decisions were made based on historic knowledge and benchmarking against similar organisations.

Recoverable amount of rental and other debtors

Rental and other debtors are categorised into debt types with similar characteristics. Each category is reviewed and assigned a risk factor based upon management's knowledge of the specific debts in that category. This risk factor is used to determine the expected recoverability and therefore value of rental and other debtors to recognise in the financial statements. The values recognised are disclosed in note 20.

Defined benefit obligations

The pension liability recognised within the financial statements is based on a number of underlying assumptions. These include; inflation, mortality rates, salary changes, interest and investment rates and discount factors. Changes within any of these assumptions will affect the pension liability and associated costs recognised. Management utilise pension actuary experts to help determine the appropriate assumptions and calculations to apply. The key assumptions and resulting obligations are detailed in note 29 of these financial statements.

Investment property valuations

Investment properties are valued at their market value which is considered to be their fair value at the reporting date. Management utilises an expert valuer to provide its assessment on the appropriate market values to apply.

Notes to the Financial Statements

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus

Group - continuing activities	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Gain on disposal of assets £'000	2020 Operating surplus/ (deficit) £'000
Social housing lettings	149,320	-	(106,197)	-	43,123
Other social housing activities					
First tranche low cost home ownership sales	5,142	(4,580)	-	-	562
Supporting people contract income	1,302	-	(1,660)	-	(358)
Charges for support services	1,382	-	(1,720)	-	(338)
Revenue grants from local authorities and other agencies	1,089	-	(1,389)	-	(300)
Development costs not capitalised	-	-	(458)	-	(458)
Community / neighbourhood services	18	-	(4,801)	-	(4,783)
Management services	714	-	(525)	-	189
Other	288	-	(153)	-	135
	9,935	(4,580)	(10,706)	-	(5,351)
Activities other than social housing					
Properties developed for outright sale	2,406	(2,143)	-	-	263
Commercial building and construction	19,907	(19,972)	(1,044)	-	(1,109)
Student accommodation	495	-	(493)	-	2
Market rent	143	-	(203)	-	(60)
Commercial units	677	-	(670)	-	7
Garages	736	-	(569)	-	167
Management services	328	-	(704)	-	(376)
Restructuring costs	-	-	(783)	-	(783)
Other	1,710	-	(2,630)	-	(920)
Amortisation of goodwill	-	-	(196)	-	(196)
Right to Buy, Right to Acquire and staircasing sales	-	-	-	2,873	2,873
	26,402	(22,115)	(7,292)	2,873	(132)
Operating surplus	185,657	(26,695)	(124,195)	2,873	37,640

Notes to the Financial Statements

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus (continued)

Group - continuing activities	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Gain on disposal of assets £'000	2019 Operating surplus/ (deficit) £'000
Social housing lettings	151,264	-	(112,383)	-	38,881
Other social housing activities					
First tranche low cost home ownership sales	3,588	(3,464)	-	-	124
Supporting people contract income	1,284	-	(1,649)	-	(365)
Charges for support services	1,208	-	(1,550)	-	(342)
Revenue grants from local authorities and other agencies	1,398	-	(1,794)	-	(396)
Development costs not capitalised	-	-	(829)	-	(829)
Community / neighbourhood services	1,598	-	(5,503)	-	(3,905)
Management services	705	-	(491)	-	214
Other	393	-	(568)	-	(175)
	10,174	(3,464)	(12,384)	-	(5,674)
Activities other than social housing					
Properties developed for outright sale	7,041	(6,576)	-	-	465
Commercial building and construction	8,290	(8,468)	(430)	-	(608)
Student accommodation	306	-	(150)	-	156
Market rent	146	-	(195)	-	(49)
Commercial units	573	-	(649)	-	(76)
Garages	726	-	(356)	-	370
Management services	477	-	(879)	-	(402)
Restructuring costs	-	-	(464)	-	(464)
Amortisation of goodwill	-	-	(59)	-	(59)
Other	1,341	-	(1,878)	-	(537)
Right to Buy, Right to Acquire and staircasing sales	-	-	-	2,757	2,757
	18,900	(15,044)	(5,060)	2,757	1,553
Operating surplus	180,338	(18,508)	(129,827)	2,757	34,760

Notes to the Financial Statements

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus

Association - continuing activities	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Gain on disposal of assets £'000	2020 Operating surplus/ (deficit) £'000
Social housing lettings	149,312	-	(106,190)	-	43,122
Other social housing activities					
First tranche low cost home ownership sales	5,142	(4,580)	-	-	562
Supporting people contract income	1,302	-	(1,660)	-	(358)
Charges for support services	1,382	-	(1,720)	-	(338)
Revenue grants from local authorities and other agencies	1,089	-	(1,389)	-	(300)
Development costs not capitalised	-	-	(458)	-	(458)
Community / neighbourhood services	18	-	(4,801)	-	(4,783)
Management services	714	-	(525)	-	189
Other	288	-	(153)	-	135
	9,935	(4,580)	(10,706)	-	(5,351)
Activities other than social housing					
Properties developed for outright sale	2,406	(2,143)	-	-	263
Market rent	143	-	(203)	-	(60)
Commercial units	677	-	(670)	-	7
Garages	736	-	(569)	-	167
Management services	324	-	(725)	-	(401)
Restructuring costs	-	-	(783)	-	(783)
Other	1,494	-	(1,564)	-	(70)
Right to Buy, Right to Acquire and staircasing sales	-	-	-	2,871	2,871
	5,780	(2,143)	(4,514)	2,871	1,994
Operating surplus	165,027	(6,723)	(121,410)	2,871	39,765

Notes to the Financial Statements

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus

Association - continuing activities	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Gain on disposal of assets £'000	2019 Operating surplus/ (deficit) £'000
Social housing lettings	151,258	-	(112,354)	-	38,904
Other social housing activities					
First tranche low cost home ownership sales	3,588	(3,464)	-	-	124
Supporting people contract income	1,284	-	(1,649)	-	(365)
Charges for support services	1,208	-	(1,550)	-	(342)
Revenue grants from local authorities and other agencies	1,398	-	(1,794)	-	(396)
Development services	-	-	(829)	-	(829)
Community / neighbourhood services	1,598	-	(5,503)	-	(3,905)
Management services	705	-	(491)	-	214
Other	394	-	(568)	-	(174)
	10,175	(3,464)	(12,384)	-	(5,673)
Activities other than social housing					
Properties developed for outright sale	7,041	(6,576)	-	-	465
Market rent	146	-	(195)	-	(49)
Commercial units	573	-	(649)	-	(76)
Garages	726	-	(356)	-	370
Management services	388	-	(832)	-	(444)
Restructuring costs	-	-	(464)	-	(464)
Other	1,200	-	(1,238)	-	(38)
Right to Buy, Right to Acquire and staircasing sales	-	-	-	2,757	2,757
	10,074	(6,576)	(3,734)	2,757	2,521
Operating surplus	171,507	(10,040)	(128,472)	2,757	35,752

Notes to the Financial Statements

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus (continued)

Group	General needs housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	2020 Total £'000	2019 Total £'000
Rent receivable net of identifiable service charges	124,539	13,214	3,187	140,940	138,828
Service charge income	3,438	3,411	393	7,242	7,364
Amortised government grants	867	212	59	1,138	1,232
Other grants	-	-	-	-	3,840
Turnover from social housing lettings	128,844	16,837	3,639	149,320	151,264
Management	(16,191)	(2,647)	(684)	(19,522)	(19,287)
Service charge costs	(6,540)	(4,413)	(177)	(11,130)	(11,769)
Routine maintenance	(29,034)	(2,551)	(281)	(31,866)	(31,491)
Planned maintenance	(3,484)	(514)	(47)	(4,045)	(3,245)
Major repairs expenditure	(9,377)	(942)	(136)	(10,455)	(20,469)
Bad debts	(2,120)	5	(67)	(2,182)	(2,688)
Property lease charges	(603)	-	-	(603)	(542)
Depreciation of housing properties	(19,078)	(1,930)	(662)	(21,670)	(22,468)
Impairment of housing properties	(4,724)	-	-	(4,724)	(424)
Operating expenditure on social housing lettings	(91,151)	(12,992)	(2,054)	(106,197)	(112,383)
Operating surplus on social housing lettings	37,693	3,845	1,585	43,123	38,881
Void losses	(2,009)	(648)	(152)	(2,809)	(2,927)

Notes to the Financial Statements

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus (continued)

Association	General needs housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	2019 Total £'000	2019 Total £'000
Rent receivable net of identifiable service charges	124,539	13,206	3,187	140,932	138,822
Service charge income	3,438	3,411	393	7,242	7,364
Amortised government grants	867	212	59	1,138	1,232
Other grants	-	-	-	-	3,840
Turnover from social housing lettings	128,844	16,829	3,639	149,312	151,258
Management	(16,191)	(2,640)	(684)	(19,515)	(19,286)
Service charge costs	(6,540)	(4,413)	(177)	(11,130)	(11,754)
Routine maintenance	(29,034)	(2,551)	(281)	(31,866)	(31,478)
Planned maintenance	(3,484)	(514)	(47)	(4,045)	(3,245)
Major repairs expenditure	(9,377)	(942)	(136)	(10,455)	(20,469)
Bad debts	(2,120)	5	(67)	(2,182)	(2,688)
Property lease charges	(603)	-	-	(603)	(542)
Depreciation of housing properties	(19,078)	(1,930)	(662)	(21,670)	(22,468)
Impairment of housing properties	(4,724)	-	-	(4,724)	(424)
Operating expenditure on social housing lettings	(91,151)	(12,985)	(2,054)	(106,190)	(112,354)
Operating surplus on social housing lettings	37,693	3,844	1,585	43,122	38,904
Void losses	(2,009)	(648)	(152)	(2,809)	(2,927)

Notes to the Financial Statements

4. Accommodation in management and development

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

Group and Association	2020 Number of properties	2019 Number of properties
Social housing		
General housing		
- social rent	25,167	25,228
- affordable rent	3,601	3,397
Supported housing and housing for older people		
- social rent	2,596	2,613
- affordable rent	465	482
Low cost home ownership	1,078	1,014
Total owned	32,907	32,734
General housing managed for others	98	120
Supported housing managed for others	30	23
Leasehold properties	710	708
Total owned and managed	33,745	33,585
Non-social housing		
Market rented	88	66
Student accommodation	125	125
Leasehold properties	85	82
Total owned and managed	34,043	33,858
Accommodation in development at the year end	803	520

Notes to the Financial Statements

5. Operating surplus

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
This is arrived after charging:				
Amortisation of goodwill	196	59	-	-
Depreciation of social housing properties	21,670	22,468	21,670	22,468
Impairment of housing properties	4,569	424	4,569	424
Depreciation of other tangible fixed assets	2,872	2,548	2,843	2,495
Impairment of other tangible fixed assets	155	-	155	-
Operating lease rentals				
- Land and buildings	326	297	326	297
- Office equipment and computers	98	150	98	150
- Motor vehicles	1,600	1,484	1,600	1,484
Auditors' remuneration (excluding VAT)				
- For audit services	125	105	125	105
- For taxation services	29	31	28	30
- For other assurance services	67	99	67	99

Auditors' remuneration includes fees for all entities within Thirteen Housing Group.

Notes to the Financial Statements

6. Gain on disposal of fixed assets

Group	Proceeds £'000	Costs of sales £'000	2020 Total £'000	2019 Total £'000
Right to Buy	3,550	(2,817)	733	587
Right to Acquire	3,638	(1,428)	2,210	1,480
Low cost home ownership staircasing	840	(681)	159	254
Other	115	(134)	(19)	86
Gain on disposal of housing property assets	8,143	(5,060)	3,083	2,407
Gain on disposal of other fixed assets	10	(220)	(210)	350
Surplus	8,153	(5,280)	2,873	2,757

Association	Proceeds £'000	Costs of sales £'000	2020 Total £'000	2019 Total £'000
Right to Buy	3,550	(2,817)	733	587
Right to Acquire	3,638	(1,428)	2,210	1,480
Low cost home ownership staircasing	840	(681)	159	254
Other	115	(134)	(19)	86
Gain on disposal of housing property assets	8,143	(5,060)	3,083	2,407
Gain on disposal of other fixed assets	4	(216)	(212)	350
Surplus	8,147	(5,276)	2,871	2,757

Notes to the Financial Statements

7. Interest receivable

Group and Association	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest receivable from current accounts	29	28	16	28
Loan interest receivable	-	51	293	51
	29	79	309	79

8. Interest payable and similar charges

Group and Association	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest payable on loans and overdrafts	12,381	12,033	12,377	12,006
Amortisation of borrowing costs	59	40	59	40
Interest payable charged to other activities	(122)	(116)	(122)	(116)
Other interest payable	623	718	623	718
	12,941	12,675	12,937	12,648
Less: Interest capitalised on housing properties under construction	(2,509)	(2,323)	(2,509)	(2,323)
	10,432	10,352	10,428	10,325

The average interest rate used to determine the amount of finance costs capitalised during the financial year was 5% (2019: 4.1%).

Notes to the Financial Statements

9. Employees

The average number of persons employed during the year expressed in full time equivalents (37 hours per week) was:

	Group		Association	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Administration	331	271	284	222
Regeneration and development	34	23	34	23
Housing, support and care	1,180	1,176	1,180	1,176
	1,545	1,470	1,498	1,421

Employee costs:

	Group		Association	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Wages and salaries	47,501	41,821	45,703	41,293
Social security costs	4,407	3,865	4,222	3,810
Other pension costs	4,222	3,547	4,144	3,527
	56,130	49,233	54,069	48,630
Restructuring costs	783	464	783	464
	56,913	49,697	54,852	49,094

Other pension costs exclude current service costs accounted for under section 28 of FRS 102. For Group these service costs amounted to £3.1m for the financial year (2019: £2.4m) and £3.1m for the Association (2019: £2.4m).

Payments to the Social Housing Pension Scheme to fund past deficits were excluded from other pension costs. These payments amounted to £0.9m for the financial year (2019: £0.7m) for the Group and Association.

Notes to the Financial Statements

10. Key management personnel

The directors are defined as the Chief Executive and the Executive Directors:

	2020 £'000	2019 £'000
Aggregate amount payable to directors (including benefits in kind)	727	683
Pension contributions	107	91
	834	774

The full-time equivalent number of staff who received remuneration over £60,000, including basic pay and pension contributions:

Group and Association	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
£60,000 to £70,000	7	2	2	2
£70,001 to £80,000	4	1	4	1
£80,001 to £90,000	2	3	2	3
£90,001 to £100,000	6	6	6	6
£100,001 to £110,000	-	1	-	1
£110,001 to £120,000	3	1	3	1
£120,001 to £130,000	1	1	-	1
£130,001 to £140,000	-	1	-	1
£140,001 to £150,000	-	1	-	1
£150,001 to £160,000	4	2	4	2
£180,001 to £190,000	-	1	-	1
£240,001 to £250,000	1	-	1	-

During the year, the Group Chief Executive was an ordinary member of the Local Government Pension scheme. The Group did not make any further contribution to an individual pension arrangement for the Group Chief Executive.

The remuneration of the highest paid director, excluding pension contributions, was £204,481 (2019: £163,216).

Notes to the Financial Statements

10. Key management personnel (continued)

Non-executive directors

Emoluments paid to non-executive directors of the Group amounted to £160,479 (2019: £134,217), and reimbursement for expenses amounted to £15,931 (2019: £2,011). An analysis of these payments is shown below:

	Basic salary £'000	Expenses £'000	2020 Total £'000	2019 Total £'000
Andrew Lean	9	3	12	12
Andrew Wilson	5	-	5	1
Annette Clark	12	1	13	12
Anthony Riley	4	-	4	-
Brian Dinsdale	6	-	6	8
Christine Storrs	-	-	-	2
Caroline Anne Moore	3	-	3	-
Catherine Harte	6	-	6	-
Christine Storrs	9	2	11	-
Christopher Newton	8	-	8	11
Clare Brayson	12	2	14	12
David Swann	3	-	3	-
George Garlick	20	-	20	20
Gogu Vishnu Reddy	5	2	7	-
Julia Clark	-	-	-	3
Keith Hurst	3	-	3	2
Kiersten Avery	1	-	1	2
Laura Mack	5	-	5	2
Mark Simpson	8	-	8	8
Miriam Harte	-	-	-	4
Nadeem Ahmed	3	1	4	2
Neil Pattison	6	-	6	3
Nicholas Taylor	5	-	5	-
Richard Buckley	12	-	12	12
Robert Goward	3	2	5	1
Sarah Robson	-	-	-	4
Steve Nelson	8	-	8	8
Zoe Lewis	4	-	4	4
Other expenses less than £500	-	3	3	3
	160	**16**	**176**	**136**

Notes to the Financial Statements

11. Tax on surplus on ordinary activities

	Group		Association	
	2020	2019	2020	2019
Current tax	£'000	£'000	£'000	£'000
UK corporation tax on surplus for the year	-	-	-	12
Adjustments in respect of prior years	31	(4)	19	(4)
Total current tax charge/(credit)	31	(4)	19	8
Deferred tax				
Origination and reversal of timing differences	(188)	(40)	-	-
Changes in tax rates	(12)	3	-	-
Adjustment for prior period	(13)	2		
Total deferred tax charge/(credit)	(213)	(35)	-	-
Total (credit)/ charge for the year	(182)	(39)	19	8
Deferred tax credited to other comprehensive income	(11)	(67)	-	-
	(11)	(67)	-	-

Notes to the Financial Statements

11. Tax on surplus on ordinary activities (continued)

Factors affecting tax charge for the current year

The tax charge for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	Group		Association	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Surplus on ordinary activities before tax	19,792	23,085	22,356	24,287
Theoretical tax at UK corporation tax rate of 19% (2019: 19%)	3,760	4,386	4,248	4,615
Effects of:				
Charitable activities not taxable	(4,105)	(4,497)	(4,192)	(4,497)
Expenses not deductible for tax purposes	6	106	-	-
Income not taxable	-	(68)	-	-
Effects of group relief	-	-	(56)	(106)
Changes in tax rates	(51)	3	-	-
Unrecognised Losses	189	-	-	-
Capital losses not recognised	-	63	-	-
Adjustment in respect of previous years	19	2	19	(4)
Qualifying charitable donations	-	(35)	-	-
Recognition of surplus on DB scheme	-	5	-	-
Total current tax charge/(credit) for the financial year	(182)	(35)	19	8
Corporation Tax Liability	-	-	-	12

	Group		Association	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Deferred tax (asset)/liability				
Short term timing differences	-	(97)	-	-
Deferred tax:				
1 April 2019	(97)	(8)	-	-
Acquired with Gus Robinson Developments	-	13	-	-
Credit to the income statement	(200)	(37)	-	-
Credit to other comprehensive income	(11)	(67)	-	-
Adjustment in respect of previous years	(13)	2	-	-
31 March 2020	(321)	(97)	-	-

Notes to the Financial Statements

12. Tangible fixed assets – housing properties

Group and Association	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total housing proerties £'000
Historical or deemed cost					
At 1 April 2019	967,071	75,666	67,493	4,368	1,114,598
Development of new properties	-	21,064	-	1,799	22,863
Newly built properties acquired	7	15,562	-	10,777	26,346
Works to existing properties	18,493	11,842	-	-	30,335
Interest capitalised	-	1,292	-	1,217	2,509
Schemes completed	60,895	(60,895)	9,339	(9,339)	-
Disposals	(7,892)	-	(722)	-	(8,614)
Revaluation	(1,031)	-	-	-	(1,031)
Transfer to current assets	-	-	(237)	(4,791)	(5,028)
Transfer to investment property	(1,300)	-	-	-	(1,300)
At 31 March 2020	1,036,243	64,531	75,873	4,031	1,180,678
Accumulated depreciation and impairment					
At 1 April 2019	111,558	3,795	5,345	169	120,867
Depreciation charged in year	21,008	-	662	-	21,670
Impairment charged in year	4,569	-	-	-	4,569
Depreciation released on disposal	(4,088)	-	(50)	-	(4,138)
Revaluation	(115)	-	-	-	(115)
At 31 March 2020	132,932	3,795	5,957	169	142,853
Net book value					
At 31 March 2020	**903,311**	**60,736**	**69,916**	**3,862**	**1,037,825**
At 31 March 2019	855,513	71,871	62,148	4,199	993,731

Notes to the Financial Statements

12. Tangible fixed assets – housing properties (continued)

Group and Association

Social housing assistance	**2020** **£'000**	**2019** **£'000**
Total accumulated Social Housing Grant receivable at 31 March was:		
Held as deferred income	145,235	129,059
Recognised in the Statement of Comprehensive Income	74,462	73,324
	219,697	202,383
Housing properties book value, net of depreciation		
Freehold	1,023,327	978,972
Long leasehold	14,059	14,265
Short leasehold	439	494
	1,037,825	993,731
Expenditure on works to existing properties		
Improvement works capitalised	30,335	18,713
Components capitalised to other fixed assets	1,905	1,515
Amounts charged to expenditure	10,455	20,469
	42,695	40,697

Impairment

The Group considers individual schemes to be separate income generating units when assessing for impairment, in accordance with section 27 of FRS 102: Impairment of Assets.

An impairment provision of £4.6m was made in 2020 (2019: £0.5m) following the strategic decision by the Board to rationalise high rise properties. The impairments relate to 2 high rise properties that were identified for demolition and redevelopment.

Notes to the Financial Statements

13. Tangible fixed assets – other

Group	Freehold land and buildings £'000	Furniture fittings and ICT / office equipment £'000	Other plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2019	34,674	30,544	2,833	228	68,279
Additions	3,979	6,509	161	-	10,649
Revaluation	(6,304)	-	-	-	(6,304)
Disposals	(239)	(3,005)	(70)	(22)	(3,336)
Transfers	(484)	484	-	-	-
Transfers to investment property	(3,250)	-	-	-	(3,250)
At 31 March 2020	28,376	34,532	2,924	206	66,038
Accumulated depreciation					
At 1 April 2019	2,668	17,987	1,030	209	21,894
Charged in year	362	2,346	160	4	2,872
Impairment adjustment	-	155	-	-	155
Revaluation	(351)	-	-	-	(351)
Released on disposal	(26)	(3,002)	(70)	(18)	(3,116)
Transfers	(16)	16	-	-	-
At 31 March 2020	2,637	17,502	1,120	195	21,454
Net book value					
At 31 March 2020	**25,739**	**17,030**	**1,804**	**11**	**44,584**
At 31 March 2019	32,006	12,557	1,803	19	46,385

Notes to the Financial Statements

13. Tangible fixed assets – other (continued)

Association	Freehold land and buildings £'000	Furniture fittings and ICT / office equipment £'000	Other plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2019	34,043	30,464	2,592	167	67,266
Additions	3,979	6,509	151	-	10,639
Revaluation	(6,304)	-	-	-	(6,304)
Disposals	(239)	(3,005)	(70)	-	(3,314)
Transfers	(484)	484	-	-	-
Transfers to investment property	(3,250)	-	-	-	(3,250)
At 31 March 2020	27,745	34,452	2,673	167	65,037
Accumulated depreciation					
At 1 April 2019	2,607	17,918	808	167	21,500
Charged in year	349	2,345	149	-	2,843
Impairment adjustment	-	155	-	-	155
Revaluation	(351)	-	-	-	(351)
Released on disposal	(26)	(3,002)	(70)	-	(3,098)
Transfers	(16)	16	-	-	-
At 31 March 2020	2,563	17,432	887	167	21,049
Net book value					
At 31 March 2020	**25,182**	**17,020**	**1,786**	**-**	**43,988**
At 31 March 2019	31,436	12,546	1,784	-	45,766

Impairment

The Association considers individual groups of assets to be separate income generating units when assessing for impairment, in accordance with section 27 of FRS 102: impairment of assets.

An impairment provision of £0.2m was made in 2020 (2019: nil). The impairment was related to the lifts in the high rise blocks as described in note 12.

Notes to the Financial Statements

14. Investment properties

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	3,865	3,770	3,770	3,770
Acquired through business combinations	-	95	-	-
Transfer from housing properties	1,300	-	1,300	-
Transfer from other fixed assets	3,250	-	3,250	-
Gain/(loss) from adjustment in fair value	250	-	250	-
At 31 March	8,665	3,865	8,570	3,770

All investment properties held by the Association were valued as at 31 March 2020 by Greig Cavey Commercial Limited, apart from the office at Northshore which was valued by Dodds Brown LLP, in accordance with the RICS Valuation Standards 2014 ('The Red Book'). The valuation was undertaken on the basis of market value as individual units with the assumption of vacant possession or that the tenant who is in occupation occupies under an assured shorthold tenancy, is not a protected tenant and vacant possession can be secured if required.

15. Intangible fixed assets

Group	Goodwill £'000	Property designs £'000	Software £'000	Total £'000
At 1 April 2019	1,819	35	7	1,861
Additions	85	53	2	140
Amortised during the year	(196)	-	(5)	(201)
At 31 March 2020	1,708	88	4	1,800

The goodwill arose on acquisition of Gus Robinson Developments in the prior year by Thirteen Homes. Goodwill is assessed annually for impairment by comparing the carrying value to the recoverable amount. See note 39 for further details regarding the acquisition.

The property design intangible fixed assets have been developed by Thirteen Homes.

The association has no intangible assets or goodwill.

Notes to the Financial Statements

16. Homebuy loans receivable

Group and Association	2020 £'000	2019 £'000
At 1 April	982	1,047
Loans repaid	(15)	(65)
At 31 March	967	982

The receivable related to shared equity and Homebuy direct loans made through Thirteen Housing Group.

17. Financial assets

Group	2020 £’000	2019 £’000
At 1 April and 31 March	1	1

Thirteen Homes has a joint arrangement with Woodside Homes, under which 50% of the shares of Woodside Homes Limited are held by Thirteen Homes. The shareholding in Woodside Homes has been included in financial assets measured at cost less impairment.

The Association has no financial assets.

Notes to the Financial Statements

18. Investments in subsidiaries

Association	2020 £'000	2019 £'000
At 1 April and 31 March	50	50

The Association has the following investments in subsidiaries:

Name	Regulated / Non-regulated	Nature of business	Ownership 2020	Ownership 2019
Thirteen Homes	Non-regulated	Property development	100%	100%
Thirteen Commercial Services	Non-regulated	Property management	100%	100%
Thirteen Property Development	Non-regulated	Build and design	100%	100%
Thirteen Social Enterprise	Non-regulated	Community investment	100%	100%
Gus Robinson Developments	Non-regulated	Property development	100%	100%
Gus Robinson Homes	Non-regulated	Property development	100%	100%

As required by statute, the financial statements consolidate the results of Thirteen Homes, Thirteen Commercial Services, Gus Robinson Developments (from the acquisition date) (see note 39), Thirteen Property Development and Thirteen Social Enterprises. All subsidiaries are directly owned by the Association apart from Gus Robinson Developments which is indirectly owned through Thirteen Homes and Gus Robinson Homes which is indirectly owned through Gus Robinson Developments.

The registered address for all entities is 2 Hudson Quay, Windward Way, Middlesbrough TS2 1QG apart from Gus Robinson Developments and Gus Robinson Homes which is registered at Stranton House, West View Road, Hartlepool, Cleveland, TS24 0BW.

The Association has the right to appoint members to the Boards of the subsidiaries and thereby exercises control over them. Thirteen Social Enterprises, Thirteen Property Development and Gus Robinson Homes were dormant throughout the financial year.

None of the subsidiary entities are registered providers of social housing.

Notes to the Financial Statements

18. Investments in subsidiaries (continued)

During the financial year the Association provided services to the above unregistered group companies as follows:

	Nature of transaction	2020 £'000	2019 £'000
Thirteen Commercial Services	Management services	377	238
Thirteen Commercial Services	Repair and cleaning services	34	28
Thirteen Homes	Management services	235	173
		646	439

In addition, interest was chargeable by the Association on intra-group loans, as follows:

	Nature of transaction	2020 £'000	2019 £'000
Thirteen Homes	Interest on intra-group loan	285	50
Gus Robinson Developments	Interest on intra-group loan	8	-
		293	50

Interest is charged on the intra-group loans at a fixed rate of 4.5%

Thirteen Commercial Services provided services to the Association as follows:

	Nature of transaction	2020 £'000	2019 £'000
Thirteen Housing Group	Management Services	106	92
		106	92

Notes to the Financial Statements

19. Stock

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
First tranche shared ownership properties:				
Completed	2,959	-	2,959	-
Works in progress	727	4,077	727	4,077
Outright sale properties:				
Completed	204	1,269	204	1,269
Works in progress	10,064	4,337	4,204	4,312
Raw materials and consumables	31	31	-	-
	13,985	9,714	8,094	9,658

Notes to the Financial Statements

20. Trade and other debtors

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Due within one year				
Rent and service charges arrears	9,069	11,499	9,069	11,490
Less: provision for bad debts	(4,826)	(5,146)	(4,814)	(5,132)
	4,243	6,353	4,255	6,358
Other debtors	4,797	4,913	2,118	1,438
Amounts recoverable on long term contracts	1,036	1,065	-	-
Social Housing Grant receivable	-	133	-	133
VAT reclaimable	343	395	256	326
Amounts owed by group undertakings	-	-	140	3,479
Prepayments and accrued income	10,422	7,055	10,174	6,899
	20,841	19,914	16,943	18,633
Due after more than one year				
VAT reclaimable	807	-	807	-
Prepayments and accrued income	168	174	168	174
Amounts owed by group undertakings	-	-	11,235	-
Deferred tax asset	321	97	-	-
	22,137	20,185	29,153	18,807

Other debtors includes a loan to Whitby Network which is secured by a legal charge over Whitby Resource Centre. The loan is repayable over 20 years at an interest rate of 1% above bank base rate. The final instalment was repaid on 31 July 2020.

The Association has extended revolving credit facilities to Thirteen Homes Limited and Gus Robinson Developments Limited which collectively will not exceed £25.0m at any given time. The facilities have a fixed interest rate of 4.5% and are repayable in November 2027 and November 2029 respectively.

Notes to the Financial Statements

21. Cash and cash equivalents

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Money market investments	86	585	86	585
Deposit accounts	11,116	3,931	11,116	3,931
Leaseholders' trust account	252	252	252	252
Cash at bank and in hand	78,291	4,477	78,090	2,579
	89,745	9,245	89,544	7,347

22. Creditors: amounts falling due within one year

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Loans and overdrafts (note 27)	4,113	3,978	4,113	3,978
Rents and service charges received in advance	5,072	3,954	5,064	3,944
Social Housing Grant received in advance	12,706	13,870	12,706	13,870
Deferred capital grant (note 24)	1,218	1,239	1,218	1,239
Development creditors	1,776	1,883	1,776	1,883
Corporation tax	-	-	-	-
Other taxation and social security	1,105	1,063	1,048	988
Other creditors	10,496	11,125	6,006	4,429
Amounts owed to group undertakings	-	-	176	12
Accruals and deferred income	7,841	12,598	7,285	12,478
Leaseholder sinking funds	736	667	736	667
	45,063	50,377	40,128	43,488

Group and Association loans and overdrafts includes accrued interest payable of £1,672k (2019: £1,669k).

Notes to the Financial Statements

23. Creditors: amounts falling due after more than one year

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Loans (note 27)	335,186	236,663	335,186	236,663
Borrowing costs unamortised	(970)	(501)	(970)	(501)
Deferred capital grant (note 24)	131,321	113,962	131,310	113,950
Recycled capital grant fund (note 25)	1,126	1,235	1,126	1,235
Disposals proceeds fund (note 26)	471	848	471	848
	467,134	352,207	467,123	352,195

Notes to the Financial Statements

24. Deferred capital grant

	Group £'000	Association £'000
Cost		
At 1 April	130,949	130,937
Received during the period	18,436	18,436
Disposals	(384)	(384)
Other	376	376
At 31 March	149,377	149,365
Amortisation		
At 1 April	15,748	15,748
Released to income in the period	1,138	1,137
Released on disposal	(48)	(48)
At 31 March	16,838	16,837
Net book value		
At 31 March 2020	132,539	132,528
At 31 March 2019	115,201	115,189

	Group £'000	Association £'000
Amounts to be released within one year	1,218	1,218
Amounts to be released in more than one year	131,321	131,310
	132,539	132,528

Notes to the Financial Statements

25. Recycled capital grant fund

Funds pertaining to activities within areas covered by the Regulator of Social Housing (RSH):

Group and Association		2020 £'000	2019 £'000
At 1 April		1,235	1,108
Inputs to the RCGF:	Grant Recycled	419	363
	Interest accrued	9	12
	Outright sales	-	-
Recycling of grant:	New build	(537)	(248)
At 31 March		1,126	1,235
Amounts 3 years old or older		303	49

Withdrawals from the recycled capital grant fund were used to fund new build developments.

26. Disposal proceeds fund

Funds pertaining to activities within areas covered by the Regulator of Social Housing (RSH):

Group and Association		2020 £'000	2019 £'000
At 1 April		848	863
Inputs to DPF:	Interest accrued	3	5
Transfer to deferred capital grant		(380)	(20)
At 31 March		471	848
Amounts 3 years old or older		466	835

Withdrawals from the disposal proceeds fund were used to fund new build developments.

Notes to the Financial Statements

27. Analysis of changes in net debt

Group	At 1 April 2019 £'000	Cash Flows £'000	Non-Cash Movements £'000	At 31 March 2020 £'000
Cash and cash equivalents	(9,245)	(80,500)	-	(89,745)
Housing loans due in one year	3,978	(3,978)	4,113	4,113
Housing loans due after one year	236,663	102,636	(4,113)	335,186
	231,396	18,158	-	249,554

Association	At 1 April 2019 £'000	Cash Flows £'000	Non-Cash Movements £'000	At 31 March 2020 £'000
Cash and cash equivalents	(7,347)	(82,197)	-	(89,544)
Housing loans due in one year	3,978	(3,978)	4,113	4,113
Housing loans due after one year	236,663	102,636	(4,113)	335,186
	233,294	16,461	-	249,755

28. Non-equity share capital

Shares of £1 each issued and fully paid:

Group and Association	2020 £	2019 £
At 1 April	10	11
Issued during the year	3	-
Cancelled during the year	(2)	(1)
At 31 March	11	10

The shares provide members with the right to vote at general meeting, but do not provide any rights to dividends or distributions on a winding up.

Notes to the Financial Statements

29. Pension provisions

The Group participates in the following pension schemes:

- The Social Housing Pension Scheme ("SHPS"): a multi-employer defined benefit pension scheme
- The Teesside Pension Fund: a multi-employer defined benefit pension scheme
- Aegon: a defined contribution pension scheme
- Gus Robinson Developments Limited Pension & Assurance Scheme; a closed defined benefit pension scheme

Net liabilities recognised in the balance sheet are as follows:

	Group		Association	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
The Social Housing Pension Scheme	6,504	11,444	6,504	11,444
The Teesside Pension Fund	64,345	49,115	64,345	49,115
Gus Robinson Developments Pension Fund	357	334	-	-
	71,206	60,893	70,849	60,559

The Pensions Trust - Social Housing Pension Scheme

The Association participates in the scheme, a multi-employer scheme which provides benefits to 500 non-associated employers. The scheme is a defined benefit scheme in the UK and is accounted for as such.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017. This actuarial valuation was certified on 23 November 2018 and showed assets of £4,553m, liabilities of £6,075m and a deficit of £1,522m. To eliminate this funding shortfall, the Trustee, Scheme Committee and the Employer Committee have agreed that contributions will be paid to the Scheme by the employers in accordance with the table below, increasing annually on each 1 April, with the first increase on 1 April 2020:

Deficit contributions

Payment period	Amount per annum payable monthly
1 April 2019 until 30 September 2026	£161.0m per annum increasing by 2% per annum each 1 April with the first increase from 1 April 2020.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014; this valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Notes to the Financial Statements

29. Pension provisions (continued)

SHPS Pension Fund (continued)

	31 March 2020 % per annum	31 March 2019 % per annum
Discount rate	2.32	2.39
RPI price inflation	2.50	3.21
CPI price inflation	1.50	2.21
Salary Growth	2.50	3.21

Mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

Future lifetime from age 65:		31 March 2020 No. of years	31 March 2019 No. of years
Aged 65 at accounting date	Males	21.5	21.8
	Females	23.3	23.5
Aged 45 at accounting date	Males	22.9	23.2
	Females	24.5	24.7

Group and Association

As accounted for as a defined benefit scheme from 1 April 2018.

Breakdown of amounts recognised in profit and loss

	2020 £'000	2019 £'000
Current service cost	2,772	1,901
Amounts charged to operating costs	2,772	1,901

	2020 £'000	2019 £'000
Net interest cost	276	251
Amounts charged to other finance costs	276	251

Notes to the Financial Statements

29. Pension provisions (continued)

SHPS Pension Fund (continued)

As accounted for as a defined benefit scheme from 1 April 2018.

Analysis of amounts recognised in other comprehensive income

	2020 £'000	2019 £'000
Total actuarial gain/(loss)	5,450	(1,434)
	5,450	(1,434)
Cumulative actuarial gain/(loss)	4,016	(1,434)

Reconciliation of funded status to balance sheet

	2020 £'000	2019 £'000
Present value of scheme liabilities	(41,215)	(41,343)
Fair value of assets	34,711	29,899
Net liability recognised in the balance sheet	(6,504)	(11,444)

Changes to the present value of the defined benefit obligation

	2020 £'000	2019 £'000
Opening scheme liabilities	(41,343)	(36,892)
Current service cost	(2,772)	(1,901)
Interest cost	(1,025)	(975)
Actuarial gains/(losses) on scheme liabilities	4,157	(2,164)
Benefits paid	1,069	1,479
Contributions by participants	(1,301)	(890)
Closing defined benefit obligation	(41,215)	(41,343)

Notes to the Financial Statements

29. Pension provisions (continued)

SHPS Pension Fund (continued)

As accounted for as a defined benefit scheme from 1 April 2018.

Group and Association (continued)

Changes to the fair value of assets

	2020 £'000	2019 £'000
Opening fair value of Scheme assets	29,899	27,296
Interest income on assets	749	724
Remeasurement gains on assets	1,293	730
Contributions by employer	2,538	1,738
Contributions by participants	1,301	890
Benefits paid	(1,069)	(1,479)
Closing fair value of scheme assets	34,711	29,899

The Pensions Trust - The Growth Plan

The Group and Association participated in the scheme, a multi-employer scheme which provided benefits to some 1,300 non-associated participating employers. The scheme was a defined benefit scheme in the UK. The company has now ceased participation in the scheme.

Present values of provision

	2020 £'000	2019 £'000
Present value of provision	-	-

Notes to the Financial Statements

29. Pension provisions (continued)

The Pensions Trust - The Growth Plan

The Group and Association participated in the scheme, a multi-employer scheme which provided benefits to some 1,300 non-associated participating employers. The scheme was a defined benefit scheme in the UK. The company has now ceased participation in the scheme.

Present values of provision

	2020 £'000	2019 £'000
Present value of provision	-	-

Reconciliation of opening and closing provisions

	2020 £'000	2019 £'000
Provision at start of year	-	29
Unwinding of the discount factor (interest expense)	-	-
Deficit contribution paid	-	(29)
Pension debt realised	-	-
Provision at end of year	-	-

Income and expenditure impact

	2020 £'000	2019 £'000
Interest expense	-	-
Pension debt realised	-	-
Costs recognised in income and expenditure account	-	-

Assumptions

	2020 % per annum	2019 % per annum
Rate of discount	n/a	1.33

Notes to the Financial Statements

29. Pension provisions (continued)

Teesside Pension Fund

Group and Association

The Teesside Pension Fund is a multi-employer scheme with more than one participating employer, which is administered by Middlesbrough Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2019.

The employer's contributions to the Teesside Pension Fund by the group for the year ended 31 March 2020 were £2.6m (2019: £3.3m) at a contribution rate of 16% (2019: 16%).

	31 March 2020 % per annum	31 March 2019 % per annum
Discount rate	2.3	2.4
CPI price inflation	2.0	2.2
Pension increases	2.0	2.2
Pension accounts revaluation rate	2.0	2.2
Salary increases	3.0	3.2

Contribution rates are fixed until 31 March 2020.

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

Future lifetime from age 65:		31 March 2020 No. of years	31 March 2019 No. of years
Aged 65 at accounting date	Males	21.8	22.2
	Females	23.5	24.1
Aged 45 at accounting date	Males	23.2	23.9
	Females	25.3	25.9

Notes to the Financial Statements

29. Pension provisions (continued)

Teesside Pension Fund (continued)

Breakdown of amounts recognised in profit and loss

	2020 £'000	2019 £'000
Current service cost	5,559	4,682
Past service cost	145	5,291
Amounts charged to operating costs	5,704	9,973

	2020 £'000	2019 £'000
Net interest cost	1,042	1,153
Amounts charged to other finance costs	1,042	1,153

Analysis of amounts recognised in other comprehensive income

	2020 £'000	2019 £'000
Total actuarial (losses)/gains	(11,066)	4,688
	(11,066)	4,688
Cumulative actuarial loss	(39,550)	(28,484)

Reconciliation of funded status to balance sheet

	2020 £'000	2019 £'000
Present value of scheme liabilities	(222,712)	(226,705)
Fair value of assets	158,367	177,590
Net liability recognised in the balance sheet	(64,345)	(49,115)

Notes to the Financial Statements

29. Pension provisions (continued)

Teesside Pension Fund (continued)

Changes to the present value of the defined benefit obligation

	2020 £'000	2019 £'000
Opening scheme liabilities	(226,705)	(210,583)
Current service cost	(5,559)	(4,682)
Interest cost	(5,279)	(5,428)
Actuarial gains/(losses) on scheme liabilities	10,246	(4,452)
Benefits paid	5,780	4,771
Contributions by participants	(1,050)	(1,040)
Past service cost	(145)	(5,291)
Closing defined benefit obligation	(222,712)	(226,705)

Changes to the fair value of assets

	2020 £'000	2019 £'000
Opening fair value of Scheme assets	177,590	164,632
Interest income on assets	4,237	4,275
Remeasurement (losses)/gains on assets	(21,312)	9,140
Contributions by employer	2,582	3,274
Contributions by participants	1,050	1,040
Benefits paid	(5,780)	(4,771)
Closing fair value of scheme assets	158,367	177,590

Aegon

The Aegon pension scheme is a defined contribution scheme participated in by 2 group companies, the Association and Gus Robinson Developments. The cost of the scheme is equal to the employer contributions payable in the year. During the year contributions of £118k (2019: £100k) were made to the scheme.

Notes to the Financial Statements

29. Pension provisions (continued)

Gus Robinson Developments Limited Pension and Assurance Scheme (continued)

The Gus Robinson Developments Limited Pension and Assurance Scheme is a closed defined benefit pension scheme. The assets of the scheme are administered by the trustees in a fund independent from those of the company. Annual contributions are expected to be £43k per annum.

The most recent formal actuarial valuation was completed as at 6 April 2018.

The employer's contributions to the Gus Robinson Developments Limited Pension and Assurance Scheme by the group for the year ended 31 March 2020 were £43k (2019: £64k).

	31 March 2020 % per annum	31 March 2019 % per annum
Discount rate	2.2	2.5
CPI price inflation	1.8	2.3
Pension increases	2.6	3.1
Salary increases	n/a	n/a

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

Future lifetime from age 65:		31 March 2020 No. of years	31 March 2019 No. of years
Aged 65 at accounting date	Males	19.1	19.
	Females	21.0	21.9
Aged 45 at accounting date	Males	20.4	21.5
	Females	22.6	23.7

Plan assets

The major categories of plan assets, measured at fair value are:

	31 March 2020 £'000	31 March 2019 £'000
Equity	1,487	1,612
Bonds	868	994
Cash	236	155
Property	111	119
Insured pensioners	221	286
	2,923	**3,166**

Notes to the Financial Statements

29. Pension provisions (continued)

Gus Robinson Developments Limited Pension and Assurance Scheme (continued)

A closed defined benefit pension scheme.

Breakdown of amounts recognised in profit and loss

	2020 £'000	2019 £'000
Current service cost	3	-
Past service cost	-	35
Amounts charged to operating costs	3	35

	2020 £'000	2019 £'000
Net interest expense/(income)	7	(2)
Amounts charged/(credited) to other finance costs	7	(2)

Analysis of amounts recognised in other comprehensive income

	2020 £'000	2019 £'000
Total actuarial losses	(56)	(392)
	(56)	(392)

Reconciliation of funded status to balance sheet

	2020 £'000	2019 £'000
Present value of scheme liabilities	(3,280)	(3,500)
Fair value of assets	2,923	3,166
Net liability recognised in the balance sheet	(357)	(334)

Notes to the Financial Statements

29. Pension provisions (continued)

Gus Robinson Developments Limited Pension and Assurance Scheme (continued)

Group

Changes to the present value of the defined benefit obligation

	2020 £'000	2019 £'000
Scheme liabilities acquired	(3,500)	(3,127)
Current service cost	(3)	-
Interest cost	(86)	(147)
Actuarial gains/(losses) on scheme liabilities	222	(358)
Benefits paid	87	140
Past service cost	-	(35)
Derecognition of asset	-	27
Closing defined benefit obligation	(3,280)	(3,500)

Changes to the fair value of assets

	2020 £'000	2019 £'000
Fair value of scheme assets acquired	3,166	3,127
Interest income on assets	79	149
Remeasurement losses on assets	(278)	(34)
Contributions by employer	43	64
Benefits paid	(87)	(140)
Closing fair value of scheme assets	2,923	3,166

Notes to the Financial Statements

29. Pension provisions (continued)

Gus Robinson Developments Limited Pension and Assurance Scheme (continued)

Group

Non-cash impact of pension schemes on Operating Surplus

An analysis of the non-cash impact of all pension schemes on the reported operating surplus is detailed as:

	2020 £'000	2019 £'000
SHPS		
Current service cost	2,772	1,901
Contributions paid during year	(2,538)	(1,738)
Teesside Pension Fund		
Current service cost	5,559	4,682
Past service cost	145	5,291
Contributions paid during year	(2,582)	(3,274)
Non-cash pension charge to Operating Surplus	3,356	6,862

30. Capital commitments

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Capital expenditure contracted for, but not provided for	44,784	46,978	43,684	46,978
Capital expenditure authorised by the Board, but not contracted	159,229	55,023	121,402	55,023
	204,013	102,001	165,086	102,001

Expenditure contracted for, but not provided for includes capital major repairs works of £5.3m and expenditure authorised by the Board but not contracted includes capital major repairs works of £11.2m.

The capital commitments for the development of new property assets will be financed from the Association's cash balance, drawing on approved loan facilities (£120.7m) and social housing grants (£35.6m). The balance of funding is determined as the development schemes occur and commitments are realised.

Notes to the Financial Statements

31. Contingent liabilities

The Pensions Trust

Group and Association

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up.

The Group has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2016. As of this date the estimated employer debt for the group was £45.8m. No provision has been made in the financial statements for this amount as the possibility of the liability arising is considered to be remote.

ARCC Consortium

Group and Association

In February 2015, the Group established the Achieving Real Change in the Community (ARCC) consortium with five partners, including three local authorities, to deliver the probation service in the Durham Tees Valley area. Should the consortium fail, the Group is liable for up to £1.0m to cover running costs. Performance reports are routinely provided to the Board and indications are the loan arrangement will not be required and performance targets are being achieved. No provision has been made in the financial statements.

Social Housing Grant

Group and Association

The Group has an obligation to recycle or repay social housing grant if properties are disposed of. In addition to the amount disclosed in creditors, £74.5m of grant has been credited to reserves to date through amortisation (2019: £73.3m). The timing of any future repayment, if any, is uncertain.

Notes to the Financial Statements

32. Net cash generated from operating activities

Group	Note	2020 £'000	2019 £'000
Surplus for the year		19,974	23,120
Adjustments for non-cash items:			
Depreciation of tangible fixed assets	5	24,542	22,689
Impairment of tangible fixed assets	5	4,724	424
Amortisation of intangible fixed assets	15	201	60
(Increase)/decrease in stock		(6,158)	6,589
Increase in trade and other debtors		(1,812)	(881)
(Decrease)/increase in trade and other creditors		(21,091)	1,095
Pension costs less contributions payable		4,641	8,208
Carrying amount of fixed assets disposals		11,611	5,080
Revaluation on fixed assets		6,120	-
Income taxes (credited)/paid		(214)	16
Adjustments for investing or financing activities:			
Proceeds from sale of fixed assets		(15,701)	(18,180)
Government grants utilised in the year	24	(1,138)	(1,232)
Interest and financing costs	8	10,432	10,352
Interest received	7	(29)	(79)
Net cash generated from operating activities		36,102	57,261

Notes to the Financial Statements

33. Operating leases

Group and Association

Operating leases where the Group and Association is the lessee

The future minimum lease payments which the Group and Association is committed to make under non-cancellable operating leases are as follows:

	2020 £'000	2019 £'000
Land and buildings		
Payments due:		
Not later than one year	321	258
Later than one year and not later than five years	821	1,138
Later than five years	453	27
	1,595	1,423
Office and other equipment		
Payments due:		
Not later than one year	65	150
Later than one year and not later than five years	70	160
Later than five years	-	-
	135	310
Motor vehicles		
Payments due:		
Not later than one year	1,604	1,484
Later than one year and not later than five years	2,539	5,413
Later than five years	-	-
	4,143	6,897

Housing property leases relate to properties leased from private landlords. There are no purchase options. The final lease expires in March 2024.

Other land and buildings leases relate to office buildings. There are no purchase options. The final lease expires in May 2044 with an option to break in May 2024.

Other equipment leases relate to laundry equipment, grounds maintenance equipment, photocopiers and franking machines. There are no purchase options. The final lease expires in November 2023.

Motor vehicles leases relate to vans and cars. There are no purchase options. The final lease expires in October 2024.

The Group has a number of management agreements in place with local private registered providers of social housing that include the right to occupy specific properties. These arrangements are not for a fixed period and are cancellable by either party.

Notes to the Financial Statements

33. Operating leases (continued)

Group and Association

Operating leases where the Group and Association is the lessor

The Group owns 66 retail units that it leases to third parties on non-cancellable leases. Rents are set in accordance with market conditions. The latest expiry date is January 2029.

The Group leases two properties to specialist housing providers:

- The lease for Ann Charlton Lodge runs until December 2021. The lease payments are adjustable annually based on actual expenditure incurred. There are no purchase options.
- The lease for 367 Thornaby Road runs until September 2030. The lease provides for an annual RPI based increase. There are no purchase options.

The future minimum rentals receivable under non-cancellable operating leases are as follows:

	2020 £'000	2019 £'000
Land and buildings		
Payments due:		
Not later than one year	421	262
Later than one year and not later than five years	929	619
Later than five years	611	659
	1,961	1,540

The Group also has in place a number management agreements that include the right to occupy specific housing properties. These agreements have no defined term and are cancellable with six to twelve months' notice.

The Group leases a number of units to other business on a short-term cancellable basis and also leases roof space to telecoms companies for the situation of telecoms masts. The term of these leases are now expired and the leases are cancellable with one to six months' notice.

Notes to the Financial Statements

34. Related party transactions

Group and Association

Disclosures in relation to key management personnel are included within note 10.

The Group participates in four pension schemes, the Social Housing Pension Scheme; a multi-employer defined benefit pension scheme, the Teesside Pension Fund; a multi-employer defined benefit pension scheme, Gus Robinson Developments Limited Pension & Assurance Scheme; a closed defined benefit pension scheme, and Aegon; a defined contribution pension scheme. Transactions between the Group and the pension schemes are detailed in note 29. The balances included in creditors for the Teesside Pension Fund is £282,070 (2019: £287,638).

The Association has applied the exemptions available under paragraph 33.1A of FRS 102 not to disclose transactions with other group companies. Transactions between unregistered group companies are disclosed in note 18.

35. Agreements to improve existing properties

Group and Association

Erimus Housing, Housing Hartlepool and Tristar Homes (the landlords) entered into agreements to purchase improved properties from the local authority and, at the same time, entered into sub-contracting agreements to carry out those improvements on behalf of the local authority for a fixed sum established in advance which was equal to the expected cost of the works. These agreements have transferred to Thirteen Housing Group Limited as a result of the transfer of engagements that took place on 1 July 2017. These contracts have enabled the group to recover VAT on the improvement costs that would otherwise have been expensed.

The impact of these transactions is that, whilst the local authorities have a legal obligation to the landlord to complete the refurbishment works, this work has been contracted back to the landlord which is also legally obligated.

The underlying substance of the transaction is therefore that the landlords acquired the properties in their existing condition at their agreed value, and will complete certain repairs and improvements in line with the legal agreement.

In the opinion of the directors, the commercial effect of these transactions, when viewed as whole, does not in practice create separate assets and liabilities for reporting purposes. Therefore the resulting debit and credit balances relating to the legal obligation of the council to complete the refurbishment works for the landlords and the equal and opposite legal obligation of the landlords to perform the refurbishment works for the council have been offset, and are not recorded in the balance sheet.

At the point of entering the agreement, the estimated value of the improvements for Erimus Housing was £185m. At 31 March 2020 these works were substantially complete, although the agreement allows Erimus Housing to continue to reclaim VAT on qualifying work within the agreed recovery period.

At the point of entering the agreement, the estimated value of the improvements for Housing Hartlepool was £86m. At 31 March 2020 these works were substantially complete, although the agreement allows Housing Hartlepool to continue to reclaim VAT on qualifying work within the agreed recovery period.

At the point of entering the agreement, the estimated value of the improvements for Tristar Homes was £217m. At 31 March 2020 the value of invoiced work on which VAT had been reclaimed was £103.8m (2019: £103m).

Notes to the Financial Statements

36. Joint ventures

Group and Association

The Association is part of a joint venture agreement with Middlesbrough Borough Council that was entered into in 2016/17 to improve the condition and sustainability of areas subject to challenging housing conditions by purchasing or leasing properties that have been unoccupied for lengthy periods or are situated in areas suffering from environmental and social decline. Under this agreement the Association and Middlesbrough Borough Council agreed to invest £0.8m each into an investment fund to enable the purchase and refurbishment of housing properties prior to releasing them on to the housing market for rent. The Association accounts for its own share of assets, liabilities and cash flows in this joint arrangement, measured in accordance with the terms of the arrangement.

During the year ending 31 March 2020, the Association had made a further payment of £0.3m (2019: £0.2m) in relation to the investment fund. To 31 March 2020, the Group has invested £1.0m in total.

The Association is also part of a further joint venture with Middlesbrough Borough Council to redevelop the area known as Grove Hill in Middlesbrough. Under this agreement both parties have agreed to invest £2.7m each into an investment fund to enable the site assembly of the Grove Hill area. The Association accounts for its own share of assets, liabilities, and cash flows in this joint arrangement, measured in accordance with the terms of the arrangement.

During the year ended 31 March 2020, the Association had made a further payment of £0.1m (2019: £0.2m) in relation to the investment fund. To 31 March 2020, the Group has invested £2.7m in total.

Thirteen Homes has a joint arrangement with Woodside Homes, under which 50% of the shares of Woodside Homes passed to Thirteen Homes. The shareholding in Woodside Homes has been included under investments at cost.

Notes to the Financial Statements

37. Financial assets and liabilities

Financial assets and financial liabilities at book value and fair value

The book value of all financial assets and financial liabilities at 31 March 2020 is deemed equal to fair value. The financial instruments may be analysed for Group and Association as follows:

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial assets				
Financial assets measured at historical cost	1	1	-	-
Rent and service charges arrears	4,243	6,353	4,255	6,358
Other debtors	17,087	13,832	24,091	12,449
Cash and cash equivalents	89,745	9,245	89,544	7,347
	111,076	29,431	117,890	26,154
Financial liabilities				
Loans and overdrafts payable	339,299	240,641	339,299	240,641
Other creditors	165,057	149,345	160,667	142,564
Accruals	7,841	12,598	7,285	12,478
	512,197	402,584	507,251	395,683

The Group's policy on financial instruments and managing financial risk is explained in the strategic report.

Cash, loans receivable and debtors are categorised as financial assets measured at amortised cost. Details of these balances can be found in notes 20 and 21.

Financial liabilities held at amortised cost are the Association's debt and creditors. Details behind the debt instrument conditions, interest charges and repayment terms can be found in note 27.

Liquidity

Loans of £243m (2019: £177.9m) have fixed rates of interest between 2.79% and 11.77%.

Loans of £94.6m (2019: £61.1m) have variable rates of interest up to 1.50% over LIBOR.

Final instalments fall to be repaid in the period from 2021 to 2039.

All loans are secured by fixed charges over the group's properties.

As at 31 March 2020 the Group and Association had undrawn loan facilities of £120.7m (2019: £121.7m).

Notes to the Financial Statements

37. Financial assets and liabilities (continued)

Loans are repayable as follows:	2020 £'000	2019 £'000
Within one year or on demand	4,113	3,978
One year or more but less than two years	3,694	2,441
Two years or more but less than five years	80,707	47,292
Five years or more	250,785	186,930
	339,299	240,641

38. Ultimate parent undertakings and controlling party

The ultimate parent undertaking and controlling party is Thirteen Housing Group Limited, a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014 and a registered provider of social housing with the Regulator of Social Housing (RSH).

Thirteen Housing Group Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2020. The consolidated financial statements of Thirteen Housing Group Limited are available from the group's registered office at 2 Hudson Quay, Windward Way, Middlesbrough, TS2 1QG.

Notes to the Financial Statements

39. Acquisition of Gus Robinson Developments

On 4 December 2018, Thirteen Homes acquired 100% of the share capital of Gus Robinson Developments for total consideration of £2,814k. Gus Robinson Developments' principal activity is delivering construction contracts for Housing Associations and other public entities. The acquisition is part of the group's long term plans to deliver its development plan. The goodwill of £1,964k which arose from the acquisition is attributable to the acquired subcontractor relationships and management expertise.

The estimated useful life of the goodwill is 10 years.

The following table summarises the final consideration paid by the Group incorporating final defrayments made in 2019/20 and reflecting that no contingent consideration became payable.

	£'000
Cash	2,814
Total consideration	2,814

Recognised amounts identifiable assets acquired and liabilities assumed:

	£'000
Tangible fixed assets	637
Investment properties	95
Stock	30
Trade and other debtors	5,155
Cash and cash equivalents	1,592
Trade and other creditors	(6,650)
Provisions	(9)
Total identifiable net assets	850
Goodwill	1,964
Total	2,814

The revenue from Gus Robinson Developments included in the Group Statement of Comprehensive income for 2018/19 was £8,298k. Gus Robinson Developments also generated a loss of £533k in the same period.

Other Company Information

Registered Numbers

Registered as a community benefit society under the Co-operative and Community Benefit Societies Act 2014, number 7522

Registered by the Regulator of Social Housing, number L4522

Board

Chair	George Garlick
Senior Independent Director	Clare Brayson
Other Members	Ian Wardle
	Richard Buckley
	Annette Clark
	Brian Dinsdale (to 31/12/19)
	Andrew Lean (to 31/12/19)
	Steve Nelson
	Christopher Newton
	Mark Simpson
	Christine Storrs
	David Swann (from 01/01/20)
	Anthony Riley (from 01/01/20)

Executive Directors

Group Chief Executive	Ian Wardle
Secretary and Executive Director - Business Change and Improvement / Resources	Barbara Heather Ashton
Executive Director - Business Growth	Christine Smith
Executive Director - Assets	Russell Thompson
Executive Director - Customer Services	David Ripley
Managing Director - Thirteen Developments	Craig Taylor

Registered Office

2 Hudson Quay
Windward Way
Middlesbrough
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Solicitors

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Orchard Street
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