thirteen

Registered Company Number: 6477162
HCA Registration Number: L4522

THIRTEEN HOUSING GROUP LIMITED

Annual Report and Financial Statements

Year Ended 31 March 2016

Contents

Board Members, Executive Directors, Advisors and Bankers

Registered Numbers

Registered as a company limited by guarantee: 6477162
Registered by the Homes and Communities Agency: L4522

Registered Office

Northshore
North Shore Road
Stockton-on-Tees
TS18 2NB

Board

Chair

George Garlick (from 1 April 2016)
Mike Clark (to 31 March 2016)

Senior Independent Director

Margaret Fay

Other Members

Sue Jeffrey (to 23 September 2015)
David Murtagh (to 23 September 2015)
Alison Thain (to 30 June 2016)
Cath Purdy (to 31 May 2015)
Annette Clark (from 23 September 2015)
Ian Wardle (from 4 July 2016)
Andrew Lean
Stan Irwin
Gill Rollings
Mark Simpson
Julie Clarke
Brian Dinsdale
Clare Brayson (from 23 August 2015)

Executive Directors

Group Chief Executive	Ian Wardle (from 4 July 2016) Alison Thain (to 30 June 2016)
Deputy Chief Executive	Cath Purdy (to 31 May 2015)
Company Secretary & Group Director of Resources	Barbara Heather Ashton
Group Director of Development & Regeneration	Martin Hawthorne
Group Director of Business Development	Christine Smith
Group Director of Operations	Dave Pickard
Group Director of Property	Russell Thompson (from 3 August 2015)
Group Director of Care & Support	Susan Bickerton (to 10 July 2015)

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Solicitors

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham
BS3 2ES

Bankers

Barclays Bank Plc
PO Box 3333
One Snowhill
Snow Hill Queensway
Birmingham
B3 2WN

Chairman's Introduction

It will come as no surprise to hear that we are in a period of unprecedented change for the housing sector and one of increasingly difficult challenges. The impact of the result of the European Union (EU) referendum is yet to be fully assessed but will, I am sure, bring additional challenges for the group.

However, we are in a robust position, ready to reshape, transform and 'future-proof' the group to ensure we are resilient enough to not only face these testing times but also take advantage of future opportunities for us.

The results this year reflect the group's financial stability in these challenging times, reporting a surplus for the year of £18.6million (2015: £19.9million) and retaining fixed assets values at £983million (2015: £967million). The reserves level of £537millon (2015: £516million) ensure that we will be able to continue to deliver excellent customer services whilst also maintaining our loan portfolio and funding the strategic priorities going forward, they also ensure that we are able to deal with the reduction in our rental income over the next three years.

The board has already agreed to focus primarily on Tees Valley as our distinct zone of operation, with any profits we make being reinvested to benefit the area.

But as well as agreeing our key area of operation, we also want to be unsurpassed in our field, making Thirteen the best landlord in the Tees Valley.

We have a vital role to play in sustaining communities and that's just one of the reasons why we see our core business as being the homes we own and the people who live in them. We want to excel at building and maintaining properties, letting properties in the best way possible and delivering the best possible services to our customers.

We're already in a strong position through our successful work and relationships with all the local authorities across the Tees Valley. Now devolution brings a further opportunity to work with the new combined authority and make a real difference in the area.

Thirteen has already become a key player thanks to the hard work and dedication of its employees, with particular thanks to the outgoing Group Chief Executive, Alison Thain.

I look forward to working together with the Thirteen team and the new Group Chief Executive, Ian Wardle, along with local authorities, stakeholders, partners and tenants, to continue to build this organisation to ensure it realises its potential to be the best in the Tees Valley.

George Garlick
Chair of Thirteen Housing Group Limited

Strategic Report

Who we are

Thirteen Housing Group Limited ('Thirteen') is a company limited by guarantee and registered provider of social housing with the Homes and Communities Agency (HCA).

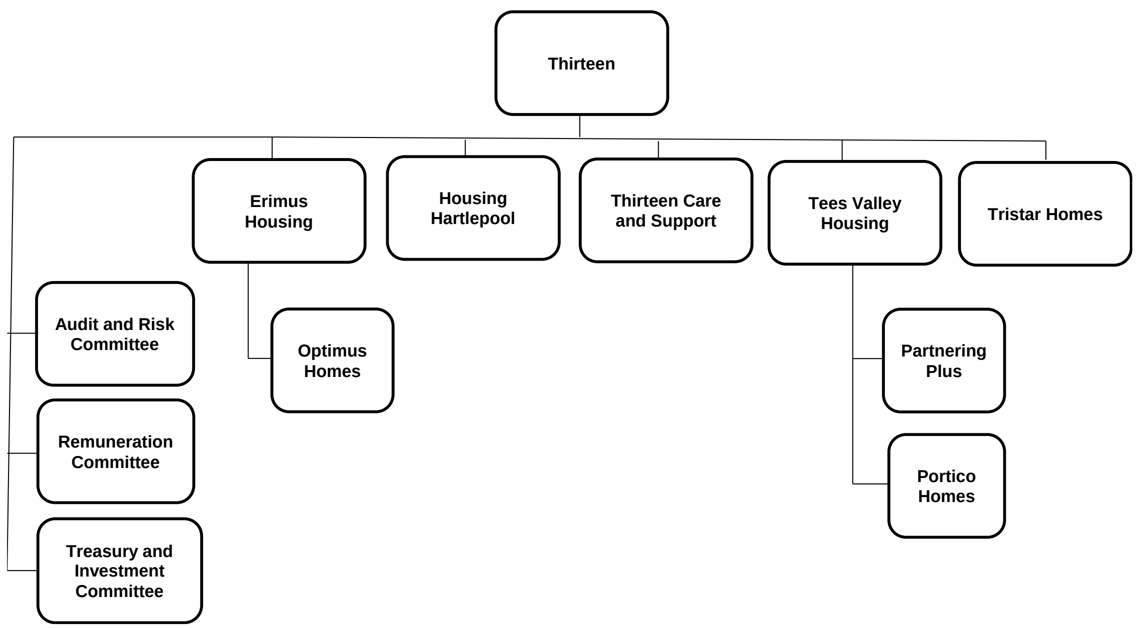
One of the North East's leading providers of housing, care and support, Thirteen employs around 1,500 people and manages more than 33,500 homes in an area spanning North Tyneside to York.

Thirteen provides a range of high quality affordable homes, managing general needs, sheltered and supported housing and providing home ownership options. This variety reflects the wide needs and aspirations of our customers. Our care and support charity assists vulnerable clients with complex needs to face a range of challenges.

Thirteen group structure

The governance structure of the Thirteen Group is illustrated below:

Thirteen's Governance Structure



Thirteen's partner companies

Erimus Housing Limited

Erimus Housing Limited ('Erimus Housing') is a company limited by guarantee, a charity registered with the Charity Commission and also a registered provider of social housing with the HCA. Thirteen's lead partner in the Middlesbrough area, Erimus Housing owns and manages around 11,400 homes plus a range of commercial properties across the town, as well as developing new homes.

Not only does Erimus Housing offer quality homes and improved neighbourhoods, it also has a wide experience in delivering large-scale refurbishment and regeneration programmes, alongside newly-built contemporary homes with a range of affordable ownership options to meet differing housing needs and create thriving communities.

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Committed to investing in Middlesbrough, Erimus Housing has a wealth of expertise working closely in partnership with Middlesbrough Council, neighbouring local authorities and partner organisations to deliver innovative projects that make a positive impact on people, communities and the wider area.

Visit the Erimus Housing website for more information: www.erimushousing.co.uk

Erimus Housing has a subsidiary company, Optimus Homes Limited ('Optimus') which is a private limited company. Optimus's principal activity is the development and sale of residential properties. More information on Optimus' objectives can be found in its individual financial statements.

Housing Hartlepool

Housing Hartlepool is a company limited by guarantee, a charity registered with the Charity Commission and registered provider of social housing with the HCA. Thirteen's lead partner in the Hartlepool area, Housing Hartlepool manages around 7,700 homes in Hartlepool and the surrounding villages and also owns a number of shops. It has developed new homes in the wider Tees Valley area as well as in Durham and Gateshead. The majority of homes are for rent, but also include shared ownership, right-to-buy, outright sale and extra care schemes.

Housing Hartlepool is committed to supporting the regeneration of communities. Working closely with residents and other agencies, the organisation works to improve and build homes, and improve the local environment and surrounding neighbourhoods. In partnership with the local authority it has a successful empty homes programme that is bringing long-term vacant private properties back into use as affordable housing. The company is continuing its pledge to build new, highly efficient affordable homes both in Hartlepool and the surrounding areas.

Visit the Housing Hartlepool website for more information: www.housinghartlepool.org.uk

Tees Valley Housing Limited

Tees Valley Housing Limited ('Tees Valley Housing') is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014, operating under charitable rules and also a registered provider of social housing with the HCA. Tees Valley Housing owns and manages around 4,200 properties from York to Northumberland and is the lead company in the Spirit development partnership, which aims to build better quality, affordable homes cost effectively and efficiently.

Tees Valley Housing invests in neighbourhoods through new and innovative services and initiatives, helping to develop sustainable communities.

Visit the Tees Valley Housing website for more information: www.teesvalley.org

Tees Valley Housing has two subsidiaries, Portico Homes Limited ('Portico') and Partnering Plus Limited ('Partnering Plus'), both of which are private limited companies. The principal activity of Portico is the development and sale of residential properties. The principal activity of Partnering Plus is the provision of regeneration consultancy services for third party housing bodies. More information on the activities of Portico and Partnering Plus can be found in the individual financial statements of both companies.

Tristar Homes Limited

Tristar Homes Limited ('Tristar Homes') is a company limited by guarantee, a charity registered with the Charity Commission and registered provider with the HCA. Previously Stockton Borough Council's arm's length management organisation since 2002, Tristar Homes is Thirteen's lead

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partner in the Stockton area and took ownership of the council's housing stock in 2010 following a vote of support from council tenants.

This move gave Tristar Homes the ability to unlock more than £100million to invest in homes and neighbourhoods and deliver a five year investment programme to support safe and sustainable communities, investing in homes for future generations, providing new and enhanced high quality services and making a real difference in the quality of life for customers and their families.

Tristar Homes owns around 10,400 homes in the Stockton Borough (Stockton, Thornaby, Billingham, Yarm and surrounding villages) as well as some shops, and is building new homes for sale and rent, helping people onto the property ladder and supporting the local economy.

Visit the Tristar Homes website for more information: www.tristarhomes.co.uk

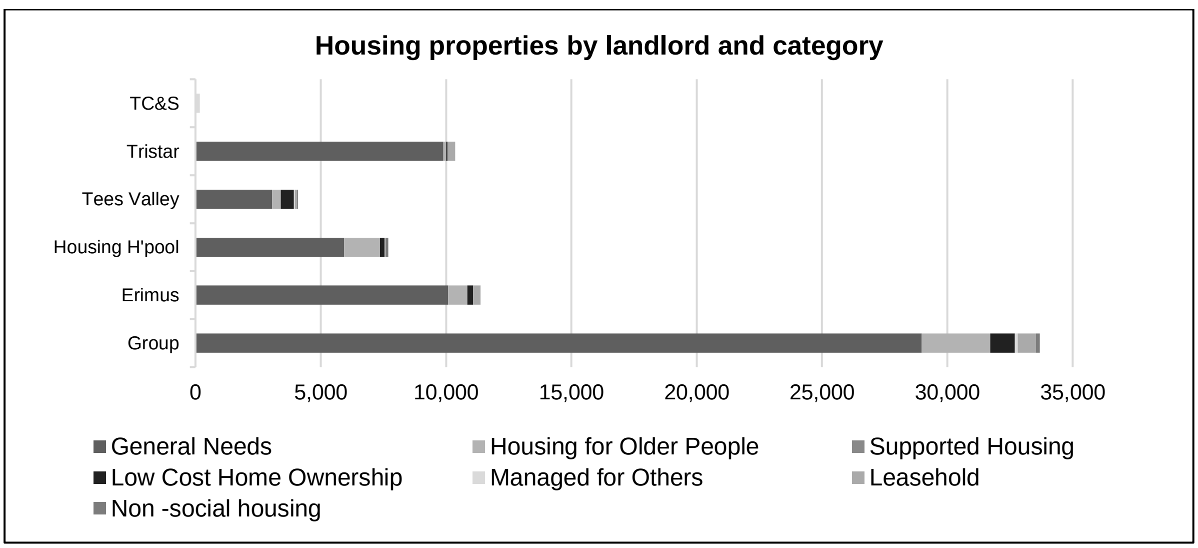
Thirteen Care and Support Limited

Thirteen Care and Support Limited ('Thirteen Care and Support') is a company limited by guarantee and charity registered with the Charity Commission. Thirteen Care and Support is Thirteen's care and support partner which supports vulnerable groups including young parents, ex-offenders, veterans, people with drug or alcohol issues and troubled families. Personalised packages of support are developed for every client to ensure they get the specific help they need.

The experience, expertise and commitment of staff allows Thirteen Care and Support to provide a service which assists clients with complex care and support needs to face a range of challenges, helping them to think differently and seek out opportunities to improve their lives.

Visit the Thirteen Care and Support website for more information:
www.thirteencareandsupport.co.uk

Housing stock owned and managed



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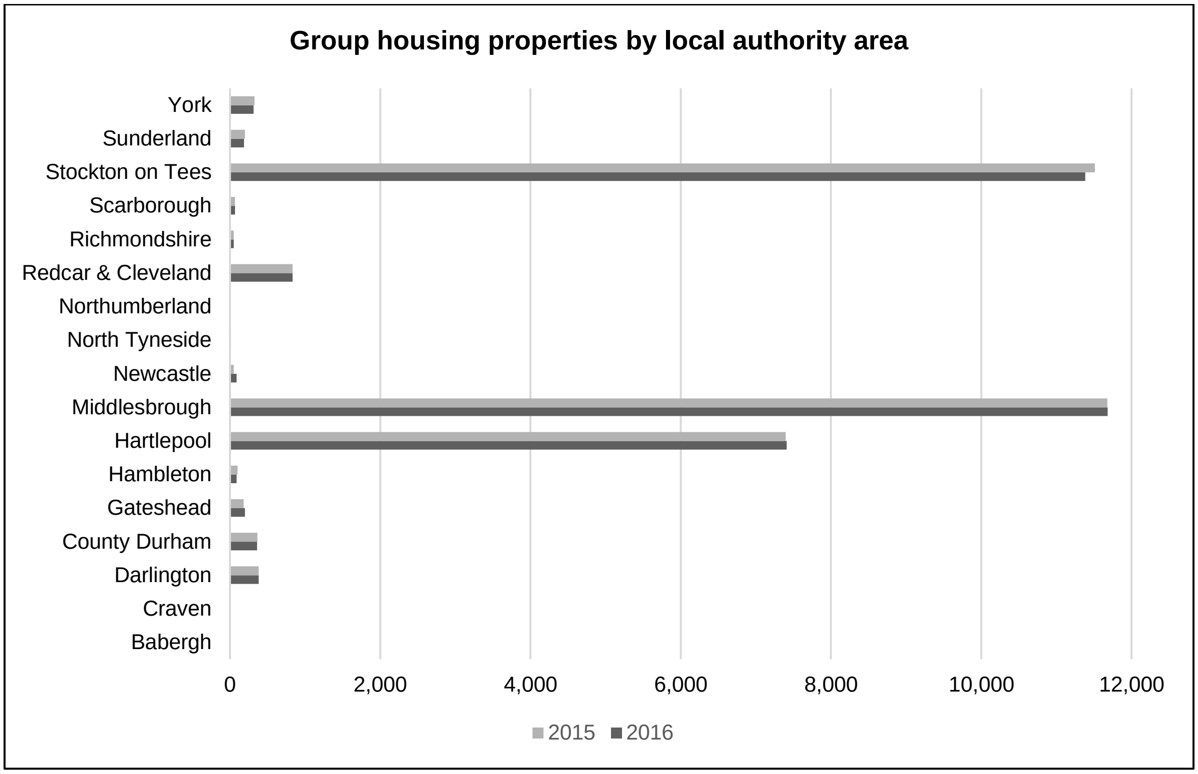

Thirteen's values and strategic priorities

The group's overarching values and strategic priorities, which were developed by the boards in 2014 when Thirteen was established, underpin the culture, ethos and focus of the group and its activities. These priorities are currently under review and, whilst they will not change significantly, they will be aligned to a new five year strategic plan under the direction of the new Chair and Group Chief Executive.

Our values

We are:

- passionate about our social purpose
- flexible and open-minded
- professional and accountable
- supporting entrepreneurship and solutions that deliver
- showing respect and optimism
- credible and ethical.

These values help us to demonstrate how we care about the people and communities we serve and the partnerships we develop. They illustrate the type of partners we want to work with - those who share our values, our passion and commitment**.**

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Our strategic priorities

- **Promoting resilience and sustainability** in our:
  - business
  - assets
  - customers and clients
  - neighbourhoods and communities

- **Committed to growth and adding value**
  - developing aspirational homes and community facilities
  - ensuring existing partnerships deliver
  - forging new partnerships and making connections

- **Building a great organisation**
  - delivering profit for social purpose
  - delivering great services
  - generating social capital
  - doing business in an ethical way
  - investing, learning and innovating
  - being well-led and accountable

Operating environment and risks

We are operating in a time of unprecedented changes within the housing sector. While many of the welfare reforms in the government's budget in July 2015 were expected, the reduction in regulated residential social rent was not. Proposals to cap housing benefit for social housing tenants at local housing allowance (LHA) levels to align with the private sector were also unexpected.

The impact of restricting housing benefit is an increasing concern. A thorough analysis is being undertaken to identify which categories of our housing stock will see the biggest impact, but given that LHA is inclusive of service charges, it is clear that schemes such as high rise flats and those with communal facilities and sheltered and supported housing will be particularly vulnerable. Investment decisions in our current stock and development opportunities for new schemes will need to be thoroughly analysed to ensure they are viable.

There is also a perception that the government feels that housing providers are not developing homes quickly enough to address the national housing shortfall and help more people into home ownership, exacerbated by the requirements of the voluntary right to buy scheme. While the government has confirmed that grants will be paid to registered providers as compensation for the discount, concerns remain as to how this will be funded and how we will bridge the gap between value and the cost of replacement. In addition, the implications of the country's vote to leave the European Union and having a new prime minister and chancellor of the exchequer are yet to become clear.

There are areas of severe deprivation across the Tees Valley, and polarity is increasing. 12.5% of households are classed as 'fuel poor', one of the highest percentages in the country. Welfare reforms continue to have an impact, particularly reductions in housing benefit for under-occupancy and universal credit. There are mounting pressures on the financial position of many of our customers and local communities and greatly reduced prospects, particularly for those in the 16 to

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24 age bands, and potentially extending to those up to 35 years through the single room rate being applied as we align with the LHA regime. The offer from the private rented sector is often seen by our customers as a more appealing option.

First time buyers in the Tees Valley are struggling to access the market. We work in a number of regeneration areas where land values and property values are low and this is a challenge in terms of making home ownership a viable option. Social and demographic changes continue to present specific needs gaps for those very elderly, in poor health or disabled and for the others who, collectively, remain the most vulnerable members of our communities.

There are also opportunities for the group, including an appetite and potential for growth and a possible role for Thirteen within the Tees Valley Combined Authority (TVCA) arrangements. We will ensure that Thirteen supports the aspirations of the TVCA strategy, working with the TVCA to ensure its strengths are used to best effect for the benefit of residents and communities across the Tees Valley.

We are reviewing existing, and developing new partnerships to deliver our priorities, including the TVCA, regional developers, the National Health Service (NHS) and further education partners. We need to ensure the value of our organisation continues to grow and strengthen and will work alongside other agencies on providing homes for the most vulnerable citizens.

During 2015/16, challenges specific to the Thirteen Group included issues associated with the implementation of an integrated housing management ICT system and some industrial action relating to the new terms and conditions for Thirteen, both of which had an impact on service delivery, particularly for repairs and maintenance. Resources were re-directed to ensure the safety and wellbeing of our customers, and work is ongoing with the software supplier to implement an effective and reliable repairs solution.

On a positive note, 2016 also saw the appointment of a new group chair and chief executive for Thirteen, and we have taken the opportunity to take a fundamental look at our purpose and business strategy as part of our strategic planning process. A five year strategic plan is being developed, which sets out the group's vision, mission and strategic objectives and includes the key projects we have already embarked on to deliver the efficiencies required to respond to the 1% rent reduction, along with new initiatives to further strengthen the financial viability of the organisation and improve services.

The priorities and objectives outlined within our developing five year strategic plan reflect those that the board believes require focus to meet the challenges faced by the organisation over the coming years based on the information we have available now.

Risk management

The boards have agreed a set of strategic risks taking into account the sector risk profile, the regulator's expectations and key themes from board risk discussions. They have also articulated their risk appetite and tolerance for each of those risks, which are categorised as:

- external/regulatory environment risks
- risks from Thirteen's transformational projects
- risks from effective management and delivery of services.

Risk category 1: External/regulatory environment risks

Risk 1 - Increased pressure from political and regulatory environment (Housing Bill changes etc) impacts on our ability to deliver services for customers.

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Risk 2 - Ability to remain relevant, including regional agenda and devolution, ability to influence, social purpose, core business and values, diversification and growth.

Risk 3 - Inability to comply with regulatory and statutory requirements can impact customer health and wellbeing, serious detriment including gas safety, information governance including data protection, cyber security, online protection and service delivery.

Risk category 2: Transformation projects risks

Risk 4 - Failure to ensure that the group's infrastructure informs and supports the business. This includes areas such as group restructure, finance, FRS (Financial Reporting Standard) 102 implications, procurement, ICT, governance, business development, performance, business intelligence, employee and board appraisals, project management and speed of decision making.

Risk 5 - Failure to deliver the building a stronger business objectives with risks relating to clarity on strategic direction, transformational projects, ability to deliver customer offer, establishing culture and employer brand, succession and talent management.

Risk category 3: Effective management and delivery of services

Risk 6 - Ability to set and collect appropriate rents, impacted by welfare reform, market rents, changing customer base, aging population, economic environment, impact of voids and re-lets, and customers' ability to obtain and sustain tenancies.

Risk 7 - Risks associated with development, including developing new homes in line with right to buy demand, developing houses for sale, market demand and competition, use of business intelligence, and understanding potential customers.

Risk 8 - Failure to maintain asset base, including maintaining existing homes, strategic impairment, sustainability, investment and customer satisfaction.

Risk 9 - Failure to remain financially viable, including achieving appropriate funding and/or refinancing, funding vehicle, loan covenants and bond market.

Risk 10 - Failure to drive and demonstrate efficiencies - delivering efficiency and value for money while maintaining and improving customer service, and understanding and managing operational costs.

Risk controls

Group directors and heads of service own and monitor the strategic risks, ensuring that controls are in place and plans to mitigate them. The Audit and Risk Committee monitors the risks and mitigating controls on behalf of all boards.

Strategic risks are supported by operational risk registers which are owned, updated and monitored by heads of service in each directorate and reported to the Audit and Risk Committee on an annual basis.

These risks are under constant review by the Audit and Risk Committee and all boards, to ensure they remain relevant and appropriate. They are the subject of further scrutiny in line with the development of the group's five-year strategic plan to ensure they are aligned and valid.

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Financial review

Consolidated financial results: three year summary

Statement of Comprehensive Income (£'000)	2016	2015 restated*	2014**
Turnover	163,964	157,870	150,993
Operating costs and cost of sales	(132,800)	(124,033)	(125,739)
Operating surplus	**31,164**	**33,837**	**25,254**
Net interest charge	(11,871)	(12,397)	(12,496)
Gain/(loss) on disposal of assets	583	(362)	1,161
Other finance (costs)/income	(1,272)	(1,145)	1,285
Taxation	1	(1)	(1)
Surplus for the year	**18,605**	**19,932**	**15,203**

Statement of Financial Position (£'000)	2016	2015 restated*	2014**
Housing properties	931,548	920,050	783,439
Other fixed assets	51,250	46,793	22,724
Total fixed assets	**982,799**	**966,844**	**806,163**
Net current assets	37,244	25,389	23,853
Total assets less current liabilities	**1,020,043**	**992,233**	**830,016**
Creditors: amounts falling due after more than one year	(330,197)	(328,563)	(284,638)
Deferred capital grants	(107,347)	(101,990)	-
Pensions liability	(45,276)	(45,266)	(28,618)
Total net assets	**537,223**	**516,414**	**516,760**
Minority interest	12	12	12
Revaluation reserve	299,367	304,978	385,161
Restricted reserve	350	292	175
Revenue reserve	237,494	211,132	131,412
Capital and reserves	**537,223**	**516,414**	**516,760**

Asset data	2016	2015	2014
Social housing stock owned at year end (no.)	32,688	32,568	32,359
Non social housing and other property types (no.)	2,987	3,373	3,262
Average existing use value (EUV-SH) per unit (£)	24,296	22,394	22,885

**2015 results have been restated under FRS 102.*

***Thirteen Housing Group was formed on 1 April 2014. Comparative consolidated results for the year ended 31 March 2014 have been prepared under merger accounting. 2014 results have not been restated under FRS 102.*

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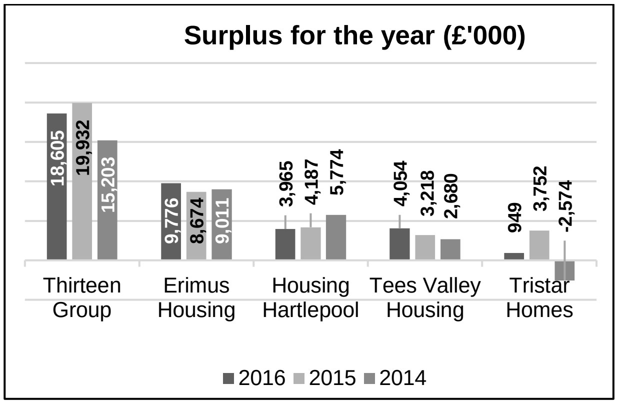

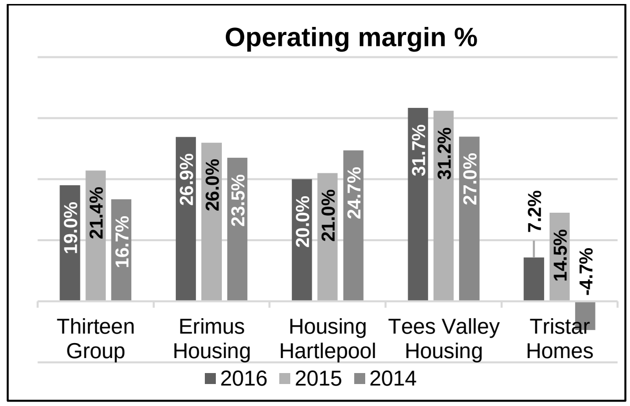

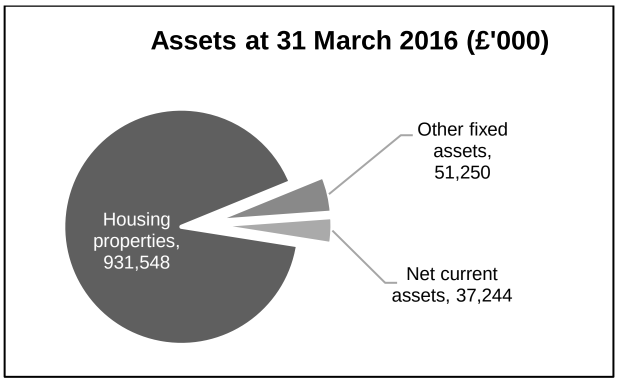

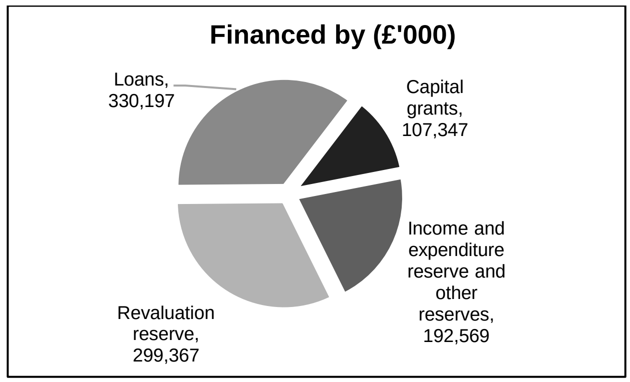

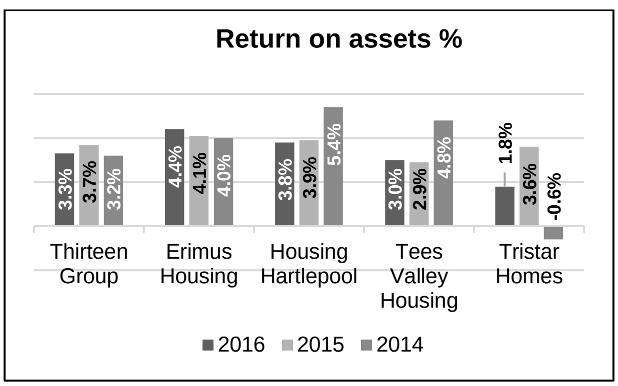

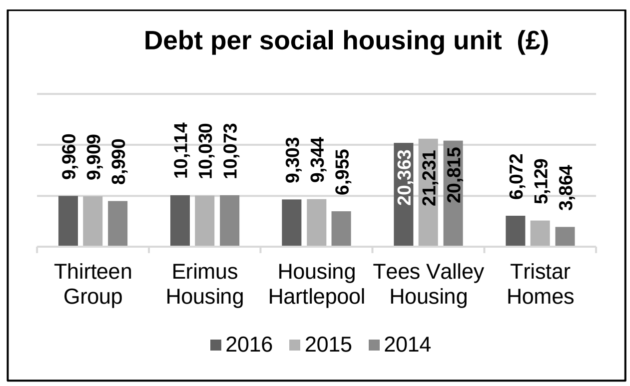

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Financial position

The group's consolidated statement of comprehensive income for the year ended 31 March 2016 is shown on page 42 of the financial statements, and its consolidated statement of financial position as at 31 March 2016 is shown on page 46.

The group delivered a strong result, generating a surplus of £18.6million (2015 restated: £19.9million) whilst operating in an increasingly challenging environment from both an economic and regulatory perspective. The group continues to realise the benefits of the merger and we look forward to continued benefits as we move forward.

In order to ensure that it can achieve its investment and regulatory objectives, the group has continued to develop its excellent working relationships with the Homes and Communities Agency (HCA) and the Regulatory Committee. In February 2016 the HCA confirmed that Thirteen meets the requirements set out in the Governance and Financial Viability Standard issuing a G1 grade for governance along with a V1 grade for financial viability. Thirteen therefore meets the HCA governance and viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.

Accounting policies

The group's principal accounting policies are set out in the notes to the financial statements on pages 48 to 58. Accounting policies have been reviewed and updated for FRS 102 and the Housing SORP 2014: Statement of Recommended Practice for registered social housing providers. The impact of the adoption of FRS 102 on the reserves of the group is set out in note 39. The policies that are most critical to the understanding of the financial results relate to the accounting treatment of housing properties, government grants, the capitalisation of costs, housing property depreciation and the treatment of shared ownership properties.

Significant judgements and estimation uncertainties

Any significant judgements and estimation uncertainties included in the financial statements are set out in the accounting policies note.

Pension costs

The group participated in four pension schemes: the Social Housing Pension Scheme (SHPS), the Teesside Pension Fund, the Pensions Trust Growth Plan and a defined contribution scheme with Aegon offered to Thirteen Care and Support's employees. Of these, the SHPS and the Teesside Pension Fund are defined benefit schemes offering comparable benefits to staff. Participation in the Pensions Trust Growth Plan is through additional voluntary contributions (AVCs) only. The group contributed to each scheme in accordance with the levels set by the scheme actuaries. The group's contribution rate varied between 5% and 18.5%.

Details of the actuarial assumptions used for all schemes are shown in note 29.

Housing properties

At 31 March 2016 the group owned 32,688 and managed a further 846 housing properties (2015 restated: owned 32,358 and managed 1,110).

Erimus Housing, Tristar Homes and Housing Hartlepool have opted to apply the transitional arrangement under FRS 102 whereby the opening balance sheet position at 1 April 2014 states housing property assets at existing use value for social housing (EUV-SH) and this position is frozen and becomes deemed cost. Because properties were transferred from the local authority for a nominal sum this is judged to be the most accurate reflection of the cost of their properties.

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Tees Valley Housing was the developer of the majority of its housing properties and retains detailed historic cost records. It therefore opted to revert to historic cost under FRS 102 as this is judged to be the most appropriate measure of the cost of its properties

Future additions to housing properties will be stated at cost. As at 31 March 2016 the carrying value of housing properties is £931.5million (2015 restated: £920million)

Housing properties are valued for loan security purposes (excluding properties under construction), and the estimated value of secured and unsecured properties is £941.8million (2015: £875million).

No impairment adjustment was made during the financial year (2015: £3.1million).

The group's investment in housing properties this financial year was funded through a mixture of social housing grant, loan finance and internally generated cash surpluses. The group's treasury management arrangements are considered below.

Other freehold land and buildings

Other freehold land and buildings includes garages, commercial properties and office buildings owned by the group.

An impairment adjustment of £0.7m has been made during the financial year (2015: £nil) relating to a number of garages earmarked for demolition.

Cash flows

Cash inflows and outflows during the financial year are shown in the consolidated statement of cash flows on page 47 of the financial statements.

The group generated a cash inflow from operating activities of £43.8million (2015: inflow £62.1million). The cash inflow in the financial year was funded mainly by operating activities, loans received of £6million (2015: £42million), social housing grant of £6million (2015: £4.3million) and property sales of £4.4million (2015: £5.5million) resulting in a net increase in cash of £2.7million (2015: decrease of £8million).

Payment of creditors

Thirteen processes and pays supplier invoices on behalf of the group. Thirteen's policy is to pay purchase invoices within 30 days of the invoice date, or earlier if agreed with the supplier. During the financial year the average time taken to pay suppliers was 40 days from the date of the invoice (2015: 40 days). Although performance has not worsened during the year, it is still well below target and we are working with suppliers to get invoices received and processed more rapidly.

Reserves

After the transfer of the surplus for the financial year of £18.6million (2015 restated: £19.9million) at the financial year end, the group's reserves amounted to £537.2million (2015 restated: £516.4million), including a revaluation surplus on housing properties of £299.4million (2015 restated: £305million).

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Capital structure and treasury policy

The group had loan facilities in place of £392.6million with a range of lenders.

The group borrowed a further £6million during the financial year (2015: £42million) to help fund new property developments. By the financial year end group borrowings amounted to £334million (2015: £331million), of which £5million (2015: £3million) falls due to be paid within the next financial year as shown below:

Maturity	2016 £million	2015 £million
Within one year or on demand	5	3
Between one and two years	11	30
Between two and five years	72	51
After five years	246	247
	334	**331**

The group borrowed principally from banks and building societies at both fixed and floating rates of interest. Embedded fixed rate loans were used to generate the desired interest rate profile and to manage the group's exposure to interest rate fluctuations. The group's policy is to continue to monitor variable interest rates and to consider additional fixed debt should the rate reach 3.5%. At the financial year end 53% (2015: 61%) of the group's borrowings was at fixed rates.

The fixed rates of interest, including the margin, ranged from 3.1% to 11.77% (2015: 2.63% to 11.77%) which compared to the current market where at the year-end comparable fixed rates were 3.2% (2015: 4.0%).

The group's borrowings were undertaken directly by its subsidiaries Erimus Housing, Housing Hartlepool, Tristar Homes and Tees Valley Housing.

The gearing of Erimus Housing, calculated as total loans as a percentage of total assets less current liabilities, was 31% as at 31 March 2016 (2015 restated: 33%) with no loans being drawn during the financial year. The gearing is expected to remain constant over the next 12 months with finance for new developments coming from loans, capital grants and the revenue surplus.

The gearing of Housing Hartlepool, calculated as total loans as a percentage of total assets less current liabilities, was 39% as at 31 March 2016 (2015 restated: 36%) with loans of £6million being drawn during the financial year. Gearing is expected to remain constant over the next 12 months with finance for new developments coming from loans, capital grants and the revenue surplus.

The gearing of Tristar Homes, calculated as total loans as a percentage of total assets less current liabilities, was 31% as at 31 March 2016 (2015 restated: 31%) with no loans being drawn during the financial year. Gearing is expected to remain constant over the next 12 months with finance for new developments coming from loans, capital grants and our revenue surplus.

The gearing of Tees Valley Housing, calculated as total loans as a percentage of total assets less current liabilities had reduced to 33% as at 31 March 2016 (2015 restated: 34.7%) with no new loans being drawn from existing facilities during the financial year. During the next 12 months further planned borrowings to finance new developments are not expected to increase gearing significantly.

The group's lending agreements required compliance with a number of financial and non-financial covenants. The group's position was monitored on an ongoing basis and reported to the board each quarter. The most recent report confirmed that the group was in compliance with its loan covenants at the balance sheet date and the business plan produced for the Thirteen Group demonstrates that the group expects to be compliant for the foreseeable future.

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The group had balances of cash and cash equivalents of £51.1million at 31 March 2016 (2015 restated: £48.3million) and the current ratio stood at 1.9 (2015 restated: 1.6). The group monitored cash flow forecasts closely to ensure that sufficient funds were available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required.

Future developments

A key influence on the timing of borrowings is the rate at which development activity takes place and the levels of grant funding available. The board has approved plans for its subsidiaries to deliver 2,672 new properties over the next seven years, at a total cost of £309.8million. This investment will be funded from new borrowings, social housing grant from the Homes and Communities Agency along with internally generated surplus. Undrawn loan facilities of £58.6million are available under existing arrangements.

A full stock condition survey of our housing stock was carried out in November 2014 and has been followed up by a recent desktop review, sense-checked by Savills, which is being used to inform the group's 30 year investment programme. The group plans to invest £44million in its major repairs programme during the 2016/17 financial year of which £24million will be capital expenditure.

The group continues to assess the impact of welfare reform on its business plan and intended future developments. The group's resources are only committed to a scheme once funding has been secured.

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Operating review

Thirteen maintains a rolling five year strategic plan with key actions being identified in the partner landlord business plans.

Reflecting on progress during 2015/16, the Thirteen board made significant progress with its strategic objectives of:

- Building a great organisation,
- Promoting resilience and sustainability, and
- Committed to growth and adding value.

Details of progress against these objectives is described below.

Building a great organisation

- An electronic document and retention management system has been developed and implemented to enable the centralisation of electronic document storage and sharing across locations.
- An integrated property and customer ICT system has been implemented across the group allowing the decommissioning of more than 10 legacy systems, resulting in savings on maintenance and network resource. Whilst there were some initial issues affecting service delivery, processes have been harmonised across the group, reducing waste and duplication in procedures and enabling better understanding of demand for services and the need for service improvements.
- A customer involvement framework was embedded to ensure effective co-regulation and scrutiny. A new complaints panel was established and has been registered as an additional form of recourse for tenants and leaseholders of the Thirteen Group. A comprehensive customer training programme was delivered, covering topics such as the application of the community fund, committee chair training, internet usage and confidence building.
- A customer service strategy was implemented and the customer service excellence award achieved. Service standards are in place. The provision of a self-service facility for customers, to improve access methods, is a transformational project and will be implemented in two phases from 2016. Recommendations to improve our complaints service and reduce costs will be implemented in 2016. There has been a review of the customer contact team following the rationalisation of offices and combining of three operating systems to one, with savings achieved as a result.
- A neighbourhood and community safety strategy was developed and implementation is ongoing. Neighbourhood plans are now in place across the group. Management agreements have been established for the management of ‘out of town’ properties, and some non-general needs properties are now managed by the group’s new market facing team.
- The group’s staff terms and conditions have been fully implemented resulting in a £175,000 saving predominantly through the removal of the essential car user allowance. The group pay framework is currently being introduced.
- A corporate induction process is now embedded to ensure all new starters receive a standardised induction procedure and is enhanced by a service area manager specific induction programme to ensure a quicker return on investment.

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- A skills gap analysis has been implemented for managers to ensure more focused training provision for this group with regard to people management, providing efficiencies in training delivery and the development of skills.
- Performance reviews have been relaunched to involve all staff, with the objectives of increased employee engagement, better performance, increased retention, clearly identified capability issues and talent management.
- The employee wellbeing framework is in consultation and aims to increase the wellbeing of staff and reduce associated costs. The contracts in place relating to wellbeing, such as occupational health and counselling services, are also being considered as part of this framework.
- The pension offer is being considered and aims to be affordable, in accordance with the 30 year business plan, tax efficient and ensure the pension debt is not crystallised.

Promoting resilience and sustainability

- Renewable energy installations have commenced for Housing Hartlepool and Erimus Housing tenants with more planned for 2016/17. This is generating savings for customers and renewal heat incentive payments for Thirteen.
- The asset management strategy was implemented and a number of initiatives have been completed including the further development of the sustainability modelling tool, review of older people's accommodation and a review of the stores provision.
- The empty homes strategy was implemented, resulting in the development of an empty home standard. The lettings system and incentive scheme have been reviewed.
- An income strategy has been developed, and as a result a local discretionary housing fund has been implemented, with a budget of £850k. As well as supporting tenants to maintain their rent accounts by targeting more difficult to let properties and areas the fund was also aimed at mitigating future void rent loss and property repairs by sustaining tenancies where it is applied.
- The inclusion strategy was implemented, including the operational delivery of employability, digital and financial inclusion activities. The inclusion service was reviewed and as a result the operational employability service was discontinued as it was difficult to identify the direct benefit to the business around tenancy sustainment and reduction in rent arrears. Instead, we are delivering the youth employment initiative project that has received grant funding rather than in-house financial support.
- Digital inclusion funding was directed into the provision of self-service for customers as this was felt to be the most successful way to encourage customers to become more digitally aware and included.
- A review of the financial inclusion team identified significant benefits for customers and the business, both from a rent arrears and empty homes' perspective.
- A draft corporate social responsibility (CSR) strategy was developed to identify the future direction for the group in terms of social value.
- The market facing team is now managing the private sector empty homes project, and are currently developing standards and key performance indicators in order to monitor the effectiveness of this project.

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- A number of regeneration projects are progressing:
    - Grove Hill, Middlesbrough - we are currently undertaking an OJEU compliant procurement process with Middlesbrough Borough Council to secure a development partner. This process will help ensure we achieve best value for money.
    - Victoria Estate, Stockton - we have completed site assembly, decants and demolitions activity for around £600k under projected budget, a positive VFM outcome.
    - Elm House, Stockton – Tristar Homes' Board has agreed to progress an exit strategy from this building. We have suspended new lettings and are planning a managed decants programme for remaining occupants. We are working with Stockton Borough Council to deal with the existing non-housing sub-lessees on the ground floor and their potential relocations. In the longer term this will save the potentially very high investment requirement for Elm House and support the wider regeneration of Victoria.
    - North Ormesby, Middlesbrough - we continue to be part of a wider partnership with Middlesbrough Borough Council and the North Ormesby Big Local Initiative to develop and deliver a number of housing related interventions to support the long term sustainability of this area.

Committed to growth and adding value

- A review of the group's governance structure to ensure it meets the future needs of the organisation is well underway, with the business case for consolidation being considered by the board in October 2016.
- A number of contracts with local authorities have been reviewed and revised.
- An older persons strategy has been developed and implemented.
- Due to the diverse nature of some of the schemes under management, e.g. student accommodation, NHS accommodation and warehousing properties, a new market facing team has been created. The team will review all of the schemes in management to provide a tailored approach appropriate to each scheme's needs and embed processes to understand the demands and costs in order to ensure sustainability.
- A support to stay scheme has been rolled out and we now have six support to stay officers, who are proving effective in preventing tenancy terminations by providing enhanced tenancy support. It is anticipated that the team will undertake some of the case work for the new home service, which will ensure more effective use of this specialist resource for customers who would benefit from it most.
- Following the rent reduction announcements by the government in 2015, the development budget for the next three years was reduced by a total of £19million by changing the shape of the programme, removing some expensive schemes, reducing the size of others and introducing new schemes with lower capital outlay. This resulted in a programme for the next seven years of 837 new homes for delivery, and a further 1,835 in the pipeline. We are currently working on new schemes to ensure we deliver our commitments.
- In the past we have built housing for sale for social reasons, on a small scale, within affordable housing developments, but in some cases demand has been low. Throughout the year we have worked through the programme of new build sales and have, where necessary, converted some units built for sale to rent. In our future new build sales' programme, units for sale will only be brought forward where there is a proven demand backed up by market evidence.

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- We have created a business plan for the delivery of specialist development provision in partnership with healthcare providers, including the NHS, and are working on new initiatives both for the more efficient use of existing stock and the construction of new homes.
- We are reviewing the sustainability of all our stock and working on a programme of potential stock sales to better utilise our assets. The developing property strategy will outline this in more detail but actions are already underway with some surplus stock now being sold.

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Value for money

Value for money (VFM) is fundamental to Thirteen and all partners within the Thirteen Group. We are committed to achieving VFM to optimise future returns on assets, procure and deliver quality goods and services, and have a positive impact on our customers and communities.

We have developed a VFM strategic framework and have reviewed and built on established good practice to achieve increased financial, social and environmental value as well as organisational objectives and legislative requirements for VFM.

The VFM framework aims to consolidate our approach to VFM. It ensures VFM is embedded throughout the group and an integral part of all policy development, project initiation and evaluation, and recommendations to the board.

Under the regulatory framework, registered providers are required to produce and publish a value for money self-assessment annually and include it (or signpost to it) in the narrative report that accompanies their financial statements. Because operational activities of the registered providers within Thirteen are delivered as though they are one landlord, Thirteen has developed and published a consolidated value for money self-assessment on behalf of all entities within the Thirteen group.

The full value for money self-assessment for 2015/16 can be found on Thirteen's website at: https://www.thirteengroup.co.uk/page/value-for-money.

The group is committed to not only achieving VFM, but also ensuring that our assets generate a return in terms of their financial, social and environmental impact. This includes generating a surplus that can be reinvested to support future objectives. Further details are included in the return on assets section on page 22.

A key objective from last year's VFM self-assessment was to respond to and mitigate the effects of the budget announcement to reduce social housing rents by 1% per year for four years. Following a comprehensive review of our financial position and business plan commitments we feel assured that we are able to meet the challenge and continue to deliver excellent services and achieve our development commitments.

The group's approach to performance management benchmarking and scrutiny is detailed in the 'How we compare – financial and operational performance' section on page 24, which highlights our financial performance benchmarked with the HCA Global Accounts and operational performance compared with Housemark's National Benchmarking Club. Our financial performance compares well nationally though we are aware that operational performance is, in some cases, median or lower quartile.

VFM achievements for 2015/16

VFM achievements identified in the 2015/16 self-assessment include:

- A projected saving of £128k on lock change and key management arrangements.
- £43k saved following a review of document retention and archiving.
- Converting the tenant newsletter to an on-line resource saving £32k.
- Accessing £803k of funding for new gas line, metering and heating system replacement schemes, and the group will also receive around £16k a year from the renewable heat incentive and feed-in tariff returns.
- Funding of £85k obtained to raise awareness of heating and energy efficiency measures to address fuel poverty.
- £87k saved on a porch renewal scheme.

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- Working with the local authority on lighting replacements to save £10k and additional funding of £48k obtained for window replacement scheme.
- £59k saved on future programmed scaffolding costs.
- £21k saved on reviewing the approach to the renewal of external doors on high-rise blocks.
- Demolition and clearance work programme delivered on the Victoria Estate with a saving of £600k.
- £19million saving over three years following a review of the development programme.
- Continuous improvement through procurement of contracts has released a further £2.7m.
- Projected savings of £470k following core business / 'purely for social purpose' service reviews.
- Moving all staff onto one set of Thirteen terms and conditions saved £175k.

We have also identified additional social value comprising:

- 1,649 customers benefited from financial advice through the financial inclusion team.
- 942 received support through the local discretionary housing fund.
- 3 scrutiny reviews carried out by the customer scrutiny panel.
- 10,628 customers received training and advice from the Know Your Money team (KYM).
- £2.5m in social value generated as a result of the engagement activities detailed above.

Return on assets

We appreciate the importance of our assets and ensure that they generate a return in terms of their financial, social and environmental impact. It is vital to maintain our assets, particularly our housing properties, so we can provide good quality homes for our tenants to live in, and that they last for generations to come.

The group further developed its sustainability model during the year, which has improved the decision-making process in respect of our housing properties, providing performance data at property and housing estate level. This is described in more detail below.

One measure of the return on assets (ROA) is in terms of the surplus generated that can be reinvested into our business to support our future objectives. This is shown in the tables below.

Return on assets	2016	Global benchmark 2015	2015 Restated	2014	2013	2012
Erimus Housing	4.4%	5.4%	4.1%	4.0%	2.9%	2.7%
Housing Hartlepool	3.8%	5.4%	3.9%	5.4%	4.4%	1.2%
Tees Valley Housing	3.0%	5.6%	2.9%	4.8%	4.6%	4.2%
Tristar Homes	1.8%	5.4%	3.6%	-0.6%	-2.8%	5.0%
Thirteen Group consolidated	3.3%	5.5%	3.7%	3.2%	N/A	N/A

The global benchmarks shown are from the Homes and Communities Agency 2015 Global Accounts of Housing Providers. The benchmark figures used for Erimus Housing, Housing Hartlepool and Tristar Homes is the mean value for large scale voluntary transfer associations. The benchmark figures used for Tees Valley Housing are those for traditional housing associations. 2015 results have been restated under FRS 102.

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The ROA ratio which measures our operating income against the cost of our housing properties as stated in the financial statements, has shown a slight dip in 2016 to 3.3% (2015 restated 3.7%).

There are differences between the ROA performances of the four main landlords with Tristar Homes showing a significant reduction in 2016 down from 3.6% to 1.8%. This is due to Tristar Homes being the most recently formed of the group's large scale voluntary transfer (LSVT) landlords and still undertaking significant investment in its existing housing stock. We expect that the ROA will increase in future years when the level of investment reduces to long term investment levels. The VFM savings described on pages 21 and 22 should also have a positive impact on ROA.

Existing use value for social housing (EUV-SH)

With the introduction of FRS 102 for the 2016 financial statements, a number of changes have occurred, including now holding our housing properties at cost (previously held at valuation). The table below shows the EUV-SH of our housing properties, which is the value generally used by the housing sector to show the 'value in-use' for our housing properties.

Average EUV-SH per property	2016 £	2015 £	Increase %
Erimus Housing	30,609	28,338	8.0%
Housing Hartlepool	21,086	19,119	10.3%
Tees Valley Housing	37,462	35,086	6.8%
Tristar Homes	16,151	14,913	8.3%
Thirteen Group consolidated	24,296	22,394	8.5%

As can be seen from the table above, the value of our housing properties has increased over the past year by 8.5%, which reflects both the investment in our existing properties, along with the development of new quality homes.

There are variations in the average property value across the four landlords. Tristar Homes' average property value in 2016 was £16,151, reflecting that it is the most recently formed of the group's large scale voluntary transfer (LSVT) landlords and is still undertaking significant investment in its existing housing stock. This compares with Tees Valley Housing's average property value of £37,462, reflecting that this landlord is a traditional housing association with largely new-build stock.

The group's average property value of £24,296 compares well against the group's average debt per unit of £9,960, showing that there is capacity within the group for future investment.

Sustainability score

The group uses a sustainability appraisal model which informs our decision making process in respect of our housing properties. This has been designed to enable us to understand the performance of all of our individual properties by street, neighbourhood and estate.

The sustainability model includes information on the financial performance of our properties and estates, along with socio-economic data which allows us to take a more rounded and detailed view of the performance of our housing properties.

The majority of the group's property portfolio continues to be financially viable and in a good state of repair (for example meeting decent homes standard). However, through increased scrutiny we have identified properties and estates within the portfolio which offer limited social and/or economic return. These require further thought and consideration about the options for those properties such as alternative use or disposal.

A number of option appraisals have been taken to the group's boards and demonstrate the performance of our housing assets, the return they generate, and the action that needs to be taken going forward. This has enhanced our decision-making process in this important area.

The sustainability model is now set up to provide the following outputs:

- Individual property net present value (NPV)
- Individual property internal rate of return (IRR)
- Individual property sustainability score
- Individual property sustainability category.

The NPV and sustainability score are plotted on a Boston matrix, a type of graph regularly used by organisations to determine areas of their business which deserve more resources and investment.

The sustainability categories are determined from the matrix, providing an overall outcome in respect of property sustainability.

The headline figures for current sustainability categories for Thirteen's portfolio (with new factors and weightings applied) are:

- Category 1 (star performers) - 1.8%
- Category 2 - 16.0%
- Category 3 - 67.6%
- Category 4 - 12.3%
- Category 5 (liabilities) - 2.3%.

The majority of our general needs housing stock has been determined as being category three in respect of sustainability. With around 2% determined as category five, these properties or estates should be of particular concern for the group as they are not performing and are long-term liabilities unless we can think differently about them.

The group's leadership team is given regular reports on option appraisals and the boards are kept updated on disposals and sales of properties.

The group will continue to develop the model and our next stage is to introduce intervention measures so we can begin to assess what specifically works for each neighbourhood.

How we compare – financial and operational performance

Financial performance is benchmarked against other registered providers using the Global Accounts of Housing Providers 2015, published by the HCA. The individual partner landlord results can be found in the annual report and financial statements of each landlord. The consolidated position is illustrated in the following table:

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Thirteen (consolidated)	2016	Global benchmark 2015*	2015*
Management costs £/unit	£571	£972	£591
Maintenance costs £/unit	£988	£1,018	£946
Void losses % of debit	2.6%	1.6%	2.7%
Bad debts % of debit	2.0%	0.8%	0.9%
Current tenant arrears % of debit	5.5%	4.2%	7.2%
Operating margin	19.0%	28.8%	21.2%
Growth in turnover**	3.8%	5.0%	3.9%
Growth in total assets**	2.4%	7.6%	9.5%
Debt per social housing unit £	£9,960	£18,413	£9,819
Effective interest rate (year-end)	4.1%	4.5%	4.2%

***** *The Global Benchmark is taken from the 2015 Global Accounts of Housing Providers and is the mean cost across all LSVT landlords. The 2015 KPIs and Global Benchmark have not been restated under FRS 102.*

*** Growth in turnover and growth in assets have been calculated using restated amounts for 2015.*

As part of the HCA's continued emphasis on value for money and understanding what drives the cost of social landlords, they have provided us with a summary by partner landlord of headline social housing costs per property, derived from 2015 Global Accounts data and broken down into key cost lines. This is set alongside the equivalent figures for the sector as a whole in order to provide context. This presented in the table below:

Entity	Closing social housing units managed	Headline social housing cost/unit (£k)	M'gment cost/unit (£k)	Service charge cost/unit (£k)	Maint cost/unit (£k)	Major repairs cost/unit (£k)	Other social housing costs/unit (£k)
Erimus Housing	11,415	2.82	0.54	0.27	0.93	0.89	0.18
Housing H'pool	7,660	3.02	0.50	0.16	0.92	1.22	0.22
Tees Valley	3,992	2.69	0.64	0.48	0.72	0.54	0.32
Tristar Homes	10,419	4.65	0.60	0.20	1.07	2.64	0.15
Sector level data							
Upper quartile (least favourable)		4.30	1.27	0.61	1.18	1.13	0.41
Median		3.55	0.95	0.36	0.98	0.80	0.20
Lower quartile (most favourable)		3.19	0.70	0.23	0.81	0.53	0.08

Management costs

Thirteen has seen a £0.8million reduction in management costs in the year, reflecting the ongoing efficiencies achieved as a result of the formation of Thirteen. The reduced cost per unit compares very favourably with the 2015 mean costs of other LSVT landlords. The HCA data illustrates that

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the management costs per unit of every partner landlord fall within the lower (most favourable) quartile.

Maintenance costs

The group's maintenance costs have increased, partly due to a higher spend per property on void repairs arising from the declining state at which many properties are handed back. Additional repair costs also arose because more repairs were given to contractors when there were some operational difficulties with the new housing management system and industrial action when we were implementing new terms and conditions for Thirteen.

From the HCA data for 2015, maintenance costs were already falling into the median and higher quartile for the LSVT landlords with only Tees Valley Housing achieving lower (most favourable) quartile costs. A number of measures are being put in place during 2016/17 to reduce spend including:

- Reducing our agency costs and increasing the productivity of our in-house trade operatives;
- Reducing the use of sub-contractors and delivering more work in-house;
- Outsourcing in-house stores to a managed service with Travis Perkins;
- Introducing multi-skilling of in-house trade operatives to increase productivity levels and 'right first time';
- Procuring a new fleet of vehicles with a predicted saving of around 10% to 15%;
- Standardising repairs priorities for all landlords and re-designing customer and landlord responsibilities with the aim of reducing demand on the repairs service;
- Full review of the repairs service and structure.

Cost reductions are budgeted for 2016/17 and new budgetary control reports and processes have been introduced.

Rent arrears and voids

Void loss has reduced slightly from last year but is still higher than other LSVTs in 2015. We are experiencing some areas of low demand and decreased popularity of larger properties due to housing benefit deductions for over-occupancy. We continue to carefully manage the process of managing empty properties and the number has continued to fall since 31 March 2016. We are expecting this to have a positive impact on void loss in 2016/17.

Bad debts are higher than the global benchmark, however this reflects our prudent bad debt provision and not necessarily the level of debt written off, which was 1.18% of the debit. We continue to review the method of calculating bad debt provision in line with the requirements of FRS 102.

Current tenant arrears appear to be significantly higher than the 2015 benchmark. The level of arrears can fluctuate depending on the level of housing benefit that is outstanding, so we focus on the underlying arrears which were 3.15%. More details on the actions being taken to address arrears can be found in the operational benchmarking section of this report.

Turnover and operating margin

The group's operating margin has reduced slightly, mainly due to increased major repairs work reflected in operating costs for Tristar Homes. Operating margin is lower than other LSVTs and again this is due to the level of major repairs expenditure in Tristar Homes. This is also reflected in the HCA data which shows Tristar Homes' social housing cost per unit in the upper quartile in 2015. This is not unusual for a more recent LSVTs as there is still significant investment being made in its properties.

Turnover has increased by 3.8% which is consistent with the previous year, although it is lower than the global benchmark. Some of our supported housing activities have experienced contractions in income over the last two years, and rent increases are restricted by low inflation and market conditions in the local area.

Assets and debt

Total assets have increased less than in previous years due to the statement of properties at cost under FRS 102. The increase is due to new housing properties, increased cash balances and additions to the stock of properties for sale.

Gearing and debt per unit have remained steady with new borrowings being drawn during the year being largely offset by the amount of capital repaid and an increase in assets. The effective interest rate remains lower than the benchmark reflecting the favourable market conditions at the point at which the rates were fixed.

Operational benchmarking

We routinely benchmark key performance indicators externally with the Housemark national benchmarking club. We also complete the Housemark core resource benchmarking exercise annually to benchmark performance and costs.

In 2014/15 it was agreed that we would make a group wide submission to Housemark. Although this means that we are not able to make full use of the historical data, it does put the group in a much better position to look at benchmarking within a Thirteen context. It also sets the foundations for a performance framework in 2017 that will reflect the new group structure

Tenancy turnover

Tenancy Management	2016 Outturn	2015 Benchmark	2015 Outturn[1]
Tenancy Turnover (%)	12.0%	Lower	11.5%
Satisfaction with service (%)	87.6%[2]	Median Upper	86.0%[3]

Tenancy turnover in Erimus Housing, Housing Hartlepool and Tristar Homes moved into the lower (least favourable) quartile nationally at the end of 2013/14. This stabilised and improved marginally during 2014/15, helped by a number of local neighbourhood interventions including a ‘support to stay’ programme targeted at vulnerable households. A reduction was noted in 2015/16 for Erimus Housing and a slight increase in Housing Hartlepool and Tristar Homes that can be partly explained by the redeveloped schemes in these areas. Neighbourhood plans are also being further developed and reviewed to address specific local issues as well as more detailed asset management appraisals of individual problem schemes or blocks, with appropriate staffing structures supporting this.

Tees Valley Housing’s tenancy turnover has shown an increase on previous years, including supported housing units, from 8.1% in 2010/11 to 15% in 2016. In some ways this reflects the specialised nature of some of the units that are intended to be short stay. However, underlying issues are being addressed through the range of initiatives as detailed above.

Customer satisfaction benchmark measures for all landlords reflect the survey of tenants and residents (STAR) customer survey carried out in March 2016 and shows that the group is in the median quartile. The results are now being used to inform and support the reviews within the

[1] Combined figure submitted to Housemark for 2014/15 report
[2] 2016 group-wide survey of tenants and residents (STAR) survey
[3] Combined figure based on STAR surveys for all four landlords – methodology agreed by Housemark

strategic plan. Three priorities for improvement have been identified including the speed of repairs, the availability and ease of contacting staff, and listening to tenants.

A rolling programme of baseline satisfaction measures, based on STAR, has been implemented to measure progress on a more regular basis than offered by the three yearly survey.

Property maintenance

Property Maintenance	2016 Outturn	2015 Benchmark	2015 Outturn
Average number of calendar days to complete repairs (days) figure at quarter 3	Erimus 10.51 HHpool 9.70 TV 8.00 Tristar 9.30	Median Quartile	10.80
Satisfaction with repairs and maintenance (%)	77.4[4]%	Median/ Lower Quartile	80.88%
Satisfaction with quality of home (%)	87.49%	Upper /Median Quartile	86.31%
Average energy efficiency rating (SAP rate)	70.11%	Upper Quartile	71.70%

Housemark benchmarking breaks the maintenance costs down into responsive repairs service and major works.

In 2015/16 the time taken to complete repairs ranged from eight days to almost 11 days. Overall performance and reporting for quarter four was adversely affected by the introduction of a new housing management ICT system. We continue to focus on reducing the number of emergency repairs being carried out and are working towards a more useful measure of first time completions on repairs, as reflected by customer feedback.

A concern remains about the number of recall jobs which reduce efficiency and impair excellent customer standards and this relates again to the ‘right first time’ objective.

A group-wide STAR survey was carried in March 2016 and results reported to boards in September 2016. This shows that satisfaction with repairs is in the upper/median quartile. Erimus Housing, Tees Valley Housing and Tristar Homes’ satisfaction with the quality of homes did improve and they are in upper quartile. Housing Hartlepool performance has reduced and we are focusing on understanding the reasons behind this.

[4] 2016 STAR report

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Empty properties

Empty properties	2016 Outturn	2015 benchmark	2015 Outturn
Properties empty and available to let (% of total stock)	1.90%	Lower Quartile[5]	2.73%
Average relet time in days (all relets including time spent on repairs work)	Erimus 65 HHpool 79 TV 71 Tristar 77	39.53	77 46 66 59

The number of empty homes available for let increased in 2015/16, reflecting once again the challenges of welfare reform, and also, most significantly, the local housing market and demographic position. Reducing the number of empty homes became a key priority for our operational teams, developing and then seeking to implement a series of marketing and lettings initiatives to overturn weakening performance and compete with the private sector. This had already begun to have a significant impact by the last quarter of 2015/16 and this has continued into 2016/17. The overall number of empty properties across all Landlords has reduced significantly with a group average of around 1.6% in May 2016.

Overall re-let times were adversely affected by the introduction of the new housing management ICT system particularly in the last quarter of the year. However once problems with the system had been resolved and changes to the way we operate had been implemented, re-let time reduced to between 50 and 60 days across the group for the first quarter of 2016/17. It is expected that this improvement will continue with a predicted time of around 45 days by September 2016 and 40 days by March 2017.

Our operating area demonstrates a level social housing demand, compared to much of the rest of the country, and a relatively stagnant private housing market which has created a highly competitive private rented sector operating at the lower end of the market, often benefiting from the oversupply of small two bedroomed terraced housing in the area. Again, our empty property strategy has been designed to address this competition through better marketing and improved presentational standards.

As previously mentioned, work on our sustainability model has continued and identified poorly performing housing assets, and recent board decisions have shown a willingness to ‘take-out’ stock from the current portfolio, or redesign for alternative management uses.

Rent arrears

Rent arrears	2016 Outturn	2015 Benchmark	2015 Outturn
Rent arrears of current tenants net of unpaid HB as a percentage of rent due (excluding voids)	3.4%	Lower Quartile	3.1%

Trends for gross arrears and bad debts are harder to compare from year to year as they are affected by the timing of benefit payments. Across the group the continuing impact of welfare

[5] Housemark median

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reform and wider austerity has seen tenants experiencing difficulties in maintaining clear rent accounts and the group pursuing outstanding debt.

Arrears have been affected by a number of specific factors including:

- The introduction of the new housing management system had an impact on account management and recovery. As the system has bedded-in this has become less of an issue although it will take some time to recover from the problems experienced in January and February 2016.
- The impact of letting more properties with a rent charge raised but benefits outstanding has increased short-term debt. While welcome in terms of empty property management, it does take time to receive benefits.
- Significant numbers of housing benefit payments have been suspended or reduced as a result of direct government intervention, and an anti-fraud agreement entered into between some local councils.
- The overall economic climate and the continuing impact of welfare reform is undoubtedly continuing to affect rent payments.
- The unwillingness of the courts to support our recovery process by suspending many of the warrants that we have applied for.
- The changes in local authority discretionary fund arrangements that mean tenants have to reapply and pass new eligibility tests causing short and long term arrears issues.

The group's boards continue to review and challenge areas of under-performance, to ensure the best use of resources and achieve the group's strategic objective to build a stronger business.

Group structure review – the move towards one landlord

The group's governance structure is being reviewed to ensure we are structured and resourced as efficiently as possible. Having five separate landlord companies within the group increases bureaucracy and duplication which is not considered an effective use of money and resources. The HCA is increasingly concerned to see that groups offer streamlined, less complicated and less risky structures that drive efficiencies and value for money and enable more effective risk management.

There are a number of benefits associated with implementing a revised group structure. These include the ability to release and make best use of funding capacity, maximising resources and services across the group, limiting the need for recharges between companies and ensuring we are ready to collaborate on future opportunities in the area.

Savings can be realised by reducing the number of boards and board directors across the group. However, the greatest benefit of revising the structure will be the ability to release financial capacity across the group. We currently have four registered providers which means four sets of assets and four sets of loan covenants, each with a different capacity for borrowing. We are therefore proposing to deliver social housing and associated activities through one landlord in future.

Services are currently delivered across the group by Thirteen staff on behalf of the partner companies and all staff are now employed on Thirteen terms and conditions. Care and support services will become an integral element of the landlord company, ensuring the delivery of streamlined and cohesive services for our more vulnerable customers. The proposed governance structure would reflect the organisational structure and 'one team' culture of Thirteen.

Directors' Report

The Thirteen group board

The board directors and the executive directors of the group who were in office during the year and up to the date of signing the financial statements are set out on page 2.

The board has 11 members, including the Group Chief Executive. The chair of each of the five partner companies, as formal subsidiaries within Thirteen, hold positions as non-executive directors and the balance is made up of five additional independent non-executive directors, including the chair of Thirteen and the senior independent director. Board directors have been selected to achieve a complementary blend of skills and experience to ensure that the board possesses the necessary competencies to carry out its duties. This is supported by a board appraisal system and a programme of board development and training.

Non-executive board directors are appointed for a fixed term of three years 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 re-appointed by the board up to a maximum term of six years.

The Group Chief Executive becomes a board member on commencement of employment. The board may also appoint one additional executive officer of the company (or of any other member of the company's corporate group) as a board member.

The group board is committed to achieving the highest standards of corporate governance as it oversees the delivery of Thirteen's strategies, risk management, values and ethics.

Remuneration paid to non-executive directors of the company in the financial year was £70,949 (2015: £100,807) and for the overall group was £183,794 (2015: £183,747)

During the year Thirteen followed best practice for corporate governance across all its boards. In the movement towards restructuring the organisation, it is proposed to create one board that would be made up of 11 people who would be selected on the basis of their skills and experience to oversee the work of the group and ensure that Thirteen is providing a good, value for money service for its customers.

Executive directors

The executive directors are the Group Chief Executive and other members of the group's leadership team. They hold no interest in the group's shares and act as executives within the authority delegated by the board. Alison Thain, the Group Chief Executive was a member of the board for the financial year ending 31 March 2016.

Alison Thain retired on 30 June 2016 and Ian Wardle was appointed as Group Chief Executive with effect from 4 July 2016.

Service contracts

The Group Chief Executive and other executive directors are employed on the same terms as other staff, their notice periods ranging from three to six months.

Pensions

The executive directors are members of the Teesside Pension Fund or the Social Housing Pension Scheme which are defined benefit pension schemes. The executive directors participate in these schemes on the same terms as all other eligible staff. The group contributes to the schemes on behalf of its employees.

Directors' Report

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 Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Board attendance 2015/16

√ Member of the Thirteen Group board or committee

Board member	Thirteen Group Board	Audit & Risk Committee	Remuneration Committee	Treasury & Investment Committee	Group Board meeting attendance
Mike Clark (to 31 March 2016)	Chair to 31 March 2016		√	√	4 out of 4
Margaret Fay Senior Independent Director	√		Chair		3 out of 4
Stan Irwin	√		√	√	4 out of 4
Andrew Lean	√			Chair	4 out of 4
David Murtagh (to 23 September 2015)	√	Chair to 23 September 2015			1 out of 1
Alison Thain (to 30 June 2016)	√				4 out of 4
Brian Dinsdale (Chair of Erimus Housing)	√			√	4 out of 4
Julie Clarke (Chair of Housing Hartlepool)	√		√		4 out of 4
Mark Simpson (Chair of Tristar Homes)	√				3 out of 4
Gill Rollings (Chair of Thirteen Care & Support)	√			√	4 out of 4
Annette Clark from 23 September 2015	√	Chair from 23 September 2015			3 out of 3
Clare Brayson (Chair of Tees Valley Housing From 23 September 2015)	√				3 out of 3
Sue Jeffrey (Chair of Tees Valley Housing to 23 September 2015)	√				0 out of 1

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 HCA's Governance and Financial Viability Standard and its associated code of practice that includes adhering to all relevant law.

The group's current assurance framework which includes robust internal control and risk management systems, is reviewed, developed and implemented by Thirteen on behalf of all entities in the group.

The system of internal control is designed to mitigate the risk of failure to achieve business objectives, and provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by Thirteen is ongoing and has been in place throughout the period commencing 1 April 2015 up to the date of approval of the report and financial statements.

Key elements of the internal control framework include:

- Board-approved terms of reference and delegated authorities for Thirteen's Audit and Risk, Remuneration and Treasury and Investment Committees;
- Standing orders, financial regulations and scheme of delegation approved by the Audit and Risk Committee;
- Robust strategic and business planning processes with detailed financial budgets and forecasts;
- Clearly defined management responsibility for identifying, evaluating and controlling significant risks;
- An articulated board risk appetite statement;
- Strategic risks aligned to the group's strategic objectives;
- Quarterly review of strategic risks and mitigating actions by the Audit and Risk Committee;
- Consideration of impact of board discussions and decisions on strategic risks at each board meeting;
- Directorate risk registers owned and regularly reviewed by each directorate's senior management team, and reviewed by the Audit and Risk Committee annually;
- Formal recruitment, retention, induction, training and development policies for employees and board directors;
- Established strategic planning framework supported by a project plan, managed by heads of service and monitored quarterly;
- A considered and prudent approach to treasury management which is subject to annual review;
- Regular reporting of key performance indicators to boards and senior management to assess progress towards the achievement of key business objectives, targets and outcomes;
- Board-approved whistle-blowing, probity and financial impropriety policies, including anti-money laundering, fraud and bribery;

Directors' Report

- Regular reporting to the Audit and Risk Committee relating to transparency issues, including: gifts and hospitality; exception to standing orders; contract variations; award of housing and employment to staff and close relatives; payroll overpayments; data protection breaches; and whistleblowing incidents;
- Regular monitoring of loan covenants and requirements for new loan facilities;
- Regular scenario and stress testing of business plans and consideration of mitigating actions required as a result; and
- Detailed policies and procedures in each service area.

We maintain an exceptional events register which is reviewed by the Audit and Risk Committee on behalf of all boards in the group every quarter. This records suspected incidents of fraud and serious crime, breaches of governance policies, including ICT and data governance and any other exceptional events including whistleblowing.

In addition to exceptional events, risk events (those that could lead to serious detriment) are reported, with action plans to improve and remedy breaches or inefficiencies monitored by exception by the Audit and Risk Committee.

The purpose of this reporting is to demonstrate to the Audit and Risk Committee that: the internal controls are operating; that appropriate policies are being adhered to; appropriate action has been taken to prevent similar occurrences; and incidents have been reported to the HCA or other regulatory authority.

The board cannot delegate ultimate responsibility for the system of internal control, but it has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of Thirteen's internal controls on behalf of all partners in the group.

The board receives annual assurance reports from the Audit and Risk Committee and minutes of all Audit and Risk Committee meetings. The Audit and Risk Committee has received the Group Chief Executive's annual review of the effectiveness of the system of internal control for Thirteen, and the annual reports of the internal and external auditors and has reported its findings to the board.

Employees

Delivering great services and meeting our obligations is a team effort and is heavily reliant upon everyone involved being aware of the part that they play, being fully committed and having the right skills and experience.

Through the direction of the chair, the directors have ensured that strategies and frameworks are fit for purpose and make these roles and responsibilities clear; whilst ensuring that decisions can be taken by the right people, taking into account the views of both customers and employees. We have improved our approach to shaping and sharing this information, which has included the introduction of a managers' forum and will be using Aon Hewitt's Model of Employee Engagement as the basis for continually improving our approach moving forward.

During the year, we have used the established consultation and negotiations framework to have meaningful discussions on matters that directly affect staff. This framework, which recognises both staff and union representatives, has resulted in some significant changes being implemented. These have included the introduction of a single set of terms and conditions for all staff, as well as changes to the staffing structures that will ensure we are better equipped to deliver services.

Directors' Report

Throughout these changes, we have ensured that staff members are supported, and provided with the necessary skills and training to deliver their roles moving forward.

We have also continued to honour our commitment to having a diverse workforce and to ensuring that our pay and terms and conditions meet equal pay principles. We will continue this pledge in the years to come.

With the board fully aware of its health and safety responsibilities, it has continued to use the consultation framework, which includes a Health and Safety Committee and working groups from all directorates. 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 staff on all relevant matters.

The board also ensures there is an appropriate performance management framework, to identify any gaps in training and development that can be addressed in the following year.

Donations

The group made no donations during the year (2015: £nil) and made no political donations.

Financial Risk Management Objectives and Policies

The group uses various financial instruments including loans and cash, and other items such as rental arrears and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The existence of these financial instruments exposes the group to a number of financial risks. The main risks arising from the group's financial instruments are considered by the directors to be interest rate risk, liquidity risk, counterparty and credit risk. The board review and agree policies for managing each of these risks and they are summarised below.

The group borrows and lends only in sterling and so is not exposed to currency risk.

Interest rate risk

The group finances its operations through a mixture of retained surpluses and bank borrowings. The group's exposure to interest fluctuations is managed by the use of both fixed and variable rate facilities, which have been set out above.

Liquidity risk

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

The maturity of borrowings is set out above. In addition to these borrowings the group has £58.6million of undrawn committed facilities.

Counterparty risk

The group's policy requires counterparties to reach a minimum standard based on a combination of rating agency ratings along with credit default swaps. All counterparties met this requirement at the balance sheet date.

Credit risk

The group's principal credit risk 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 noted above, proposed changes to the benefits system has been identified as a key risk to the group.

Going Concern

The group's business activities, its current financial position and factors likely to affect its future development are set out within this Strategic Report. The group has in place long-term debt

Directors' Report

facilities, including £58.6million of undrawn facilities at 31 March 2016, which provide adequate resources to finance committed reinvestment and development programmes along with the group's day to day operations.

The 2015 summer budget announced by the Chancellor of the Exchequer in July 2015, introduced reforms to the welfare system to make it more affordable, which included reducing rents in the social housing sector by 1% each year for four years from April 2016, along with other policies which will have a significant impact on our business. The government manifesto also includes a commitment to extend the right to buy scheme to registered providers which will also have an impact on our business going forward.

We have considered these reforms and built them into our revised business plan along with mitigating actions, including cost and activity reductions. The resulting long-term business plan for the group shows that it is able to service its debt facilities whilst continuing to comply with lender's covenants.

On this basis, the board has a reasonable expectation that the group has sufficient resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

National Housing Federation (NHF) Code of Governance

The Thirteen board, in line with the rest of the group, has adopted the NHF Code of Governance (2015 edition) and complies with the principal recommendations within the code.

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.

NHF Merger Code

The group has signed up to the voluntary NHF Merger Code and complies with the principal recommendations within the code.

There are no activities to report in 2015/16.

Modern Slavery Act 2015

The group has a statement of compliance with the requirements of the act which will be reported to the Audit and Risk Committee annually for assurance.

Directors' Report

Statement of Directors' Responsibilities
The directors are responsible for preparing the Strategic Report, Annual Report and the group and parent company financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Report

Statement of compliance

The strategic report has been prepared in accordance with applicable reporting standards and legislation. The board can also confirm that the group has complied with the HCA Governance and Financial Viability Standard.

Independent auditors

PricewaterhouseCoopers LLP continue their term as independent auditors for Thirteen Housing Group.

The report of the board was approved by the board of Thirteen Housing Group on 14 September 2016 and signed on its behalf by:

George Garlick
Chair

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

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the group's and of the registered providers affairs as at 31 March 2016 and of the group's and the registered providers' results and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England from April 2015.

What we have audited

The financial statements comprise:

- the group and registered provider statements of financial position as at 31 March 2016;
- the group and registered provider statements of comprehensive income for the year then ended;
- the group and registered provider statements of changes in reserves for the year then ended;
- the group statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the registered provider, or returns adequate for our audit have not been received from branches not visited by us; or

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

- the registered provider financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the registered provider's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the registered provider's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired

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

by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Greg Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
28 September 2016

(a) The maintenance and integrity of the Thirteen Housing Group Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2016

	Note	2016 £'000	2015 Restated £'000
Turnover	3	163,964	157,870
Operating expenditure	3	(132,800)	(124,033)
Operating surplus	5	31,164	33,837
Gain/(loss) on disposal of property, plant and equipment (fixed assets)	6	583	(362)
Interest receivable	7	311	342
Interest payable and similar charges	8	(12,182)	(12,739)
Other finance costs	29	(1,272)	(1,145)
Surplus on ordinary activities before taxation		18,604	19,933
Tax on surplus on ordinary activities	11	1	(1)
Surplus for the year		18,605	19,932
Actuarial gain/(loss) in respect of pension schemes	29	3,730	(10,630)
Remeasurement loss in respect of pension scheme	29	(1,426)	(177)
Unrealised deficit on the revaluation of investment properties		(100)	-
Other		-	(11)
Total comprehensive income for the year		20,809	9,114

The consolidated results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements on pages 42 to 103 were approved and authorised for issue by the board of directors on 14 September 2016 and signed on its behalf by:

George Garlick
Director

Margaret Fay
Director

Company Statement of Comprehensive Income

Year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	3	51,863	18,116
Operating expenditure	3	(51,816)	(18,081)
Operating surplus	5	47	35
Interest receivable	7	10	9
Interest payable and similar charges	29	(15)	(26)
Other finance costs	29	(42)	(18)
Result on ordinary activities before taxation		-	-
Tax on surplus on activities	11	-	-
Result for the year		-	-
Actuarial gain/(loss) in respect of pension schemes	29	317	(793)
Remeasurement loss in respect of pension scheme	29	(234)	(32)
Total comprehensive income for the year		83	(825)

The company's results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements on pages 42 to 103 were approved and authorised for issue by the board of directors on 14 September and signed on its behalf by:

George Garlick
Director

Margaret Fay
Director

Consolidated Statement of Changes in Reserves

Year ended 31 March 2016

	Income and Expenditure Reserve restated £'000	Restricted Reserve £'000	Revaluation Reserve restated £'000	Total Reserves restated £'000
Restated balance as at 1 April 2014	193,645	175	312,821	506,641
Correction of prior period error	-	-	647	647
Surplus for the year	19,927	5	-	19,932
Other comprehensive income for the year	(10,818)	-	-	(10,818)
Transfer from revaluation reserve to income and expenditure reserve	8,490	-	(8,490)	-
Transfers to/from restricted reserves	(112)	112	-	-
Restated balance as at 1 April 2015	211,132	292	304,978	516,402
Surplus for the year	18,594	11	-	18,605
Other comprehensive income for the year	2,204	-	-	2,204
Transfer from revaluation reserve to income and expenditure reserve	5,611	-	(5,611)	-
Transfers to/(from) restricted reserves	(47)	47	-	-
Balance as at 31 March 2016	237,494	350	299,367	537,211

Revaluation reserve

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

Restricted reserves

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

Income and Expenditure reserve

At 31 March 2016, the income and expenditure reserve included £45.3million defined pension liability (2015 restated: £45.3million).

Company Statement of Changes in Reserves

Year ended 31 March 2016

	Income and Expenditure Reserve £'000
Balance as at 1 April 2014	(820)
Surplus for the year	-
Other comprehensive income for the year	(825)
Balance as at 1 April 2015	(1,645)
Surplus for the year	-
Other comprehensive income for the year	83
Balance as at 31 March 2016	(1,562)

Income and Expenditure reserve

At 31 March 2016, the income and expenditure reserve included £2.2million defined pension liability (2015: £2.3million).

The accompanying notes form part of these financial statements

Statement of Financial Position

Year ended 31 March 2016

		Group		Company	
	Note	**2016**	**2015 Restated**	**2016**	**2015**
		£'000	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible fixed assets	12,13	979,287	963,280	-	-
Investment properties	14	2,410	2,510	-	-
Homebuy loans receivable	15	1,101	1,053	-	-
Financial assets	16	1	1	-	-
Total fixed assets		982,799	966,844	-	-
Current assets					
Properties for sale	18	10,087	7,189	-	-
Stock	19	198	209	198	-
Debtors	20	17,931	15,146	13,194	8,650
Cash and cash equivalents	21	51,063	48,326	610	170
		79,279	70,870	14,002	8,820
Creditors: amounts falling due within one year	22	(42,035)	(45,481)	(13,318)	(8,206)
Net current assets		37,244	25,389	684	614
Total assets less current liabilities		1,020,043	992,233	684	614
Creditors: amounts falling due after more than one year	23	(437,544)	(430,553)	-	-
Provisions for liabilities					
Pension provisions	29	(45,276)	(45,266)	(2,246)	(2,259)
Total net assets		537,223	516,414	(1,562)	(1,645)
Reserves					
Minority interest		12	12	-	-
Revaluation reserve		299,367	304,978	-	-
Restricted reserve		350	292	-	-
Revenue reserve		237,494	211,132	(1,562)	(1,645)
		537,223	516,414	(1,562)	(1,645)

The accompanying notes form part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors on 14 September 2016 and signed on its behalf by:

George Garlick
Director
Thirteen Housing Group Limited
Company number 6477162

Margaret Fay
Director

Consolidated Statement of Cash Flows

	Note	2016 £'000	2015 £'000
Net cash generated from operating activities	32	43,843	62,103
Cash flow from investing activities			
Purchase of tangible fixed assets		(40,439)	(87,576)
Proceeds from sale of tangible fixed assets		4,388	5,541
Loans advanced to home owners		(48)	(46)
Loans repaid by third parties		-	12
Grants received		5,976	4,346
Interest received		311	342
		(29,812)	(77,381)
Cash flow from financing activities			
Interest paid		(13,790)	(14,216)
New secured loans		6,001	42,000
Repayments of borrowings		(3,505)	(1,399)
		(11,294)	26,385
Net change in cash and cash equivalents		2,737	11,107
Cash and cash equivalents at beginning of the year		48,326	37,219
Cash and cash equivalents at end of the year		51,063	48,326

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Statement of compliance

Thirteen Housing Group Limited is a company limited by guarantee incorporated in England under the Companies Act 2006 and is registered with the Homes and Communities Agency as a private registered provider of social housing.

The financial statements of the group and company have been prepared in compliance with FRS 102 as it applies to the financial statements of the group and company for the year ended 31 March 2016.

The group and company transitioned from previously extant UK GAAP to FRS 102 on 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial results is given in note 39.

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), the Companies Act 2006 and the Statement of Recommended Practice (SORP): accounting by Registered Housing Providers 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. 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 and company have adopted FRS 102, the transition date was the 1 April 2014 and therefore the 2014/15 comparatives have been restated to meet the requirements of FRS 102. A reconciliation of the changes to the group and company's reserves and 2014/15 comparatives is shown within note 39.

The group has opted to apply the exemption available under Paragraph 1.11 of FRS 102 to not prepare an individual statement of cash flows in the financial statements of subsidiary companies. A consolidated statement of cash flows is included in these consolidated financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries at 31 March using acquisition accounting. Accounting policies have been applied consistently across the group.

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

2. Accounting policies

Turnover

Turnover comprises income from lettings, revenue grants and contract income, capital grants from non-government sources and amortised grants from government sources, income from properties built for outright sale and first tranche shared ownership sales and income from the supply of other goods and 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 supply of other goods and services is recognised at the invoiced amount, net of VAT, in the period that the goods or services were supplied.

Grants relating to revenue expenditure are credited to the comprehensive income and expenditure statement in the same period as the expenditure to which they relate.

Supporting people and other contract income is recognised when it is entitled to be received under the terms of the contract.

Bad debts

For rent ledger debtors, 100% of former tenant arrears are provided. For current tenant arrears risk factors are identified which impact on the likelihood of the debt being collected. Where a significant risk factor exists provision of 100% of arrears is made.

The provision also takes into account a reduction in the value of any debt that is being collected under payment arrangements that fall outside of normal business terms.

Where there is a policy in the organisation not to collect 100% of the income chargeable in some circumstances, the amount not collectable is provided immediately.

For sundry (sales ledger) debtors, the provision is based on the customer type, the age of the debt and the likelihood of it being collected and takes into account a reduction in the value of any debt that is being collected under payment arrangements that fall outside of normal business terms. Where it is assessed that there is a likelihood of non-collection, 100% provision is made. Where the customer is a former tenant, 100% of the debt is provided.

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

2. Accounting policies

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.

Interest receivable and payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in the financial year of development if it represents either:

a) interest on borrowings specifically financing the development programme after the deduction of social housing grant (SHG) in advance, or

b) interest on the borrowings of the company as a whole after deduction of SHG in advance to the extent that they can be deemed to be financing the development programme.

In the latter case a weighted average cost of borrowing is used.

Other interest payable and interest receivable is charged or credited to the statement of comprehensive income in the financial year in which it accrues.

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 Pensions Trust Growth Plan. There is also a defined contributions scheme through Aegon for employees of Thirteen Care and Support.

For SHPS and the Pensions Trust Growth Plan, it is 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 is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit.

For the TPF 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.

2. Accounting policies

Schemes managed by agents

The treatment of income and expenditure in respect of schemes managed by agents depends on the nature of the management arrangement and whether the group retains the financial risk.

Where the group retains the financial risk, all of the scheme's income and expenditure is included in the group income and expenditure account.

Where the agent carries the financial risk, the income and expenditure account includes only that income and expenditure that relates solely to the group.

Interests in joint ventures

The company 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 company accounts for its own share of assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of the arrangement.

Leased assets

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

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.

The group implemented the following transition arrangements available on adoption of FRS 102:

- Erimus Housing, Tristar Homes and Housing Hartlepool – valuation was frozen as deemed cost as at 1 April 2014; and
- Tees Valley Housing – converted to historical cost

From 1 April 2014, all companies measure 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.

2. Accounting policies

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.

Social housing grant

Social housing grant (SHG) is receivable from the Homes and Communities Agency (HCA) and is utilised to support the build and development of housing properties.

The accounting treatment for SHG received for capital purposes follows the treatment for housing properties:

- Erimus Housing, Tristar Homes and Housing Hartlepool: up until the 1 April 2014 SHG is credited to the statement of comprehensive income when the company has met any performance conditions relating to the receipt of the funding. From the 1 April 2014, SHG is held on the statement of financial position and amortised to the comprehensive income and expenditure statement over the life of the property structure which the grant was received for.
- Tees Valley Housing: SHG is held on the statement of financial position and amortised to the comprehensive income and expenditure statement over the life of the property structure which the grant was received for.

SHG due from the HCA 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 the HCA.

SHG released on the sale of a property may be repayable but is normally available to be recycled and is credited to the 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.

2. Accounting policies

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 comprehensive income and expenditure 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.

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. Rates range from 0.8% - 4% per annum.

Thirteen Care and Support properties 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 from the depreciation policy of the rest of the group 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 rates are as follows:

• Land	Not depreciated
• Structure	0.8% - 4%
• Roofs	2%
• Kitchens	5%
• Bathrooms	3.33%
• Windows	3.33%
• Doors	3.33%
• Electrical	2%
• Heating	6.67%
• PV Panels	4%

2. Accounting policies

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.

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 annual rates used for the depreciation of other fixed assets are:

• Freehold buildings	0.8% - 4%
• Leasehold property	Over life of lease
• Furniture and fittings	20%
• Computers & office equipment	20%
• Motor vehicles	20%
• Other plant and equipment	10%
• Market rented equipment	10%
• Service chargeable fittings	4% - 20%

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.

Disposal proceeds fund

As required by Section 177 of the Housing and Regeneration Act 2008, the group credits to a disposal proceeds fund (DPF) the net disposal proceeds from right to acquire sales, social homebuy and voluntary purchase grant sales. Net disposal proceeds comprise gross disposal proceeds less eligible deductions. The purpose of the DPF is to provide replacement properties and its use is subject to certain conditions. The balance of the DPF is included in creditors.

2. Accounting policies

Financial Instruments

The group and company have assessed the financial instruments held as basic in accordance with FRS 102, and as such are accounted for under the amortised historic cost model.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Debtors and other receivables

Short term debtors are measured at transaction price, less any impairment. Loans receivable are initially measured at transaction price (including transaction costs) and subsequently measured at amortised costs using the effective interest rate method. Current carrying value is considered to equate to the amortised cost.

Creditors and loans payable

Short term creditors are measured at transaction price, less any impairment. Loans payable are initially measured at transaction price (including transaction costs) and subsequently measured at amortised costs using the effective interest rate method. Current carrying value is considered to equate to the amortised cost.

Tenancy repayment arrangements

Current and former arrears for rental debtors are subject to specific repayment terms. Where required, a bad debt provision is held against these balances. The net position is considered to represent the fair value of the debtor balance.

Taxation

Any charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Income and capital gains are generally exempt from tax if applied for charitable purposes

Reserves

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

Thirteen Care and Support is a registered charity and, as such, holds a minimum reserve level as agreed by the Board. The level of reserves held and the reason for holding them at this level is disclosed in a note to the financial statements.

2. Accounting policies (continued)

Significant judgements

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

FRS 102 transition options

The group has applied the following transition options:

- Erimus Housing, Tristar Homes and Housing Hartlepool have opted to use a previous GAAP revaluation of fixed assets and use this as its deemed cost at the date of transition.
- Tees Valley Housing has converted to historical cost.

The options applied are considered to best reflect the "cost" of the fixed assets at this point in time. Tees Valley Housing, as a traditional association, has actual detailed historical cost records for the build costs of its properties. In Erimus Housing, Tristar Homes and Housing Hartlepool housing properties were transferred from the local authorities for a nominal value and as such deemed cost is considered to be a more appropriate measurement.

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 in Tees Valley Housing at market rent, all other fixed assets within the group 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

Impairment assessment

At the year end, indicators of impairment are considered. Where an indicator exists, an impairment assessment is performed.

For each cash generating unit identified, an assessment of its recoverable amount compared to its carrying amount is performed. 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

2. Accounting policies (continued)

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. All financial instruments have been concluded as basic as part of this assessment and are therefore held using the historic cost convention.

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 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.

Revaluation reserve

In the absence of asset-specific historical accounting records in Tristar Homes and Housing Hartlepool we 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 is used to calculate the movement between reserves. The adjustment is 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.

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 2014/15 to harmonise policies across the group which included decisions on the appropriate lives. These decisions were made based on historic knowledge and benchmarking against similar organisations. Depreciation charged in respect of housing properties during 2016 was £16.8million (2015 restated: £17.3million).

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.

Asset recoverable values for impairment assessments

Management consider depreciated replacement cost to be a suitable measure for estimating a property's recoverable amount. Depreciated replacement cost is based on the current construction costs for a similar property.

Investment property valuations

Investment properties are valued at their market value which is considered to be their fair value at the reporting date. Management utilise an expert valuer to provide their assessment on the appropriate market values to apply. Investment properties are estimated to be worth £2.4m as at 31 March 2016 (2015: £2.5m)

Holiday pay accrual

An accrual is made for outstanding holiday pay at the year end. The initial accrual was calculated by taking a 5% sample of holiday cards at 1 December 2015 to ascertain the number of days outstanding. As there are no seasonal factors affecting the business this position is not thought to have changed significantly at 31 March 2016. The average number of days outstanding is then applied to the aggregate pay costs to arrive at the amount to be accrued.

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

Group – continuing activities

	2016			
	Turnover	**Cost of sales**	**Operating expenditure**	**Operating surplus/ (deficit)**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings	147,818	-	(115,023)	32,795
Other social housing activities				
Current asset property sales	3,578	(3,362)	-	216
Supporting people contract income	1,687	-	(1,921)	(234)
Charges for support services	1,063	-	(1,426)	(363)
Revenue grants from local authorities and other agencies	1,916	-	(1,575)	341
Development costs not capitalised	-	-	(622)	(622)
Regeneration activities	125	-	(1,442)	(1,317)
Management services	1,941	-	(1,968)	(27)
Big Lottery Fund	218	-	(261)	(43)
Other	2,711	-	(1,905)	806
	13,239	(3,362)	(11,120)	(1,243)
Activities other than social housing activities				
Lettings	1,884	-	(837)	1,047
Impairment of non-social housing assets	-	-	(685)	(685)
Management services	650	-	(837)	(187)
Consultancy	6	-	(10)	(4)
Restructuring costs	-	-	(901)	(901)
Other	367	-	(25)	342
	2,907	-	(3,295)	(388)
	163,964	(3,362)	(129,438)	31,164

Notes to the Financial Statements

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

Group – continuing activities

	2015 restated			
	Turnover	**Cost of sales**	**Operating expenditure**	**Operating surplus/ (deficit)**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings	143,223	-	(108,729)	34,494
Other social housing activities				
Current asset property sales	1,411	(1,098)	-	313
Supporting people contract income	2,414	-	(2,066)	348
Charges for support services	1,338	-	(1,770)	(432)
Revenue grants from local authorities and other agencies	1,384	-	(1,102)	282
Development costs not capitalised	-	-	(854)	(854)
Regeneration activities	48	-	(961)	(913)
Management services	2,215	-	(1,378)	837
Big Lottery Fund	253	-	(253)	-
Other	1,484	-	(1,253)	231
	10,547	(1,098)	(9,637)	(188)
Activities other than social housing activities				
Lettings	1,791	-	(407)	1,384
Development for sale	175	(178)	-	(3)
Management services	1,038	-	(1,243)	(205)
Consultancy	207	(6)	(14)	187
Restructuring costs	-	-	(2,752)	(2,752)
Other	889	-	31	920
	4,100	(184)	(4,385)	(469)
	157,870	(1,282)	(122,751)	33,837

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

Company – continuing activities

	2016			
	Turnover	**Cost of sales**	**Operating costs**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Other social housing activities				
Management services	20,848	-	(20,801)	47
Repair and Maintenance Services	31,015		(31,015)	-
	51,863	-	(51,816)	47

Company – continuing activities

	2015			
	Turnover	**Cost of sales**	**Operating costs**	**Operating deficit**
	£'000	**£'000**	**£'000**	**£'000**
Other social housing activities				
Management services	18,116	-	(18,081)	35
	18,116	-	(18,081)	35

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

Particulars of income and expenditure from social housing lettings

Group

	General needs housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	2016 Total £'000	2015 Total £'000
Rent receivable net of identifiable service charges	129,864	8,007	2,512	140,383	135,611
Service charge income	2,886	3,211	224	6,321	6,596
Amortised government grants	1,114	-	-	1,114	1,016
Turnover from social housing lettings	133,864	11,218	2,736	147,818	143,223
Management	(15,915)	(2,656)	(574)	(19,145)	(19,898)
Service charge costs	(6,436)	(3,744)	(251)	(10,431)	(9,564)
Routine maintenance	(26,385)	(2,009)	(184)	(28,578)	(26,308)
Planned maintenance	(4,201)	(320)	(41)	(4,562)	(5,541)
Major repairs expenditure	(29,552)	(1,790)	(385)	(31,727)	(25,138)
Bad debts	(2,532)	(284)	(72)	(2,888)	(1,288)
Property lease charges	(133)	-	(7)	(140)	(22)
Depreciation of housing properties	(15,181)	(1,667)	(704)	(17,552)	(17,797)
Impairment of housing properties	-	-	-	-	(3,173)
Operating expenditure on social housing lettings	(100,335)	(12,470)	(2,218)	(115,023)	(108,729)
Operating surplus on social housing lettings	33,529	(1,252)	518	32,795	34,494
Void losses	(3,287)	(508)	(85)	(3,880)	(3,897)

Particulars of turnover from non-social housing lettings

Group	**2016 £'000**	**2015 £'000**
Non-social housing		
Market rented units	152	151
Commercial units	654	639
Student accommodation	264	141
Garages	814	860
	1,884	1,791

4. Accommodation in management and development

Group

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

	2016 No. of properties	2015 restated No. of properties
Social housing		
General housing		
- social rent	26,032	26,474
- affordable rent	2,941	2,351
Supported housing and housing for older people	2,734	2,734
Low cost home ownership	981	1,009
Total owned	32,688	32,568
General housing managed for others	47	305
Supported housing managed for others	73	75
Leasehold properties	726	730
Total owned and managed	33,534	33,678
Non-social housing		
Market rented	30	37
Other property types		
Commercial units	167	177
Garages	3,332	2,744
Garage sites	255	297
Student accommodation	81	81
Homebuy direct	4	4
Non-social housing rent	14	-
Non-social housing leasehold	25	33
Total owned and managed	3,878	3,336
Accommodation in development at the year end	383	495

The group owns 82 and leases 30 supported housing units (2015: owned 82 and leased 30) that are managed on its behalf by other bodies who contract with the supporting people administering authorities and carry the financial risk related to the supported housing units.

Where the agency carries the financial risk, the group's income and expenditure account includes only the income and expenditure for which it retains responsibility.

Comparative numbers have been restated to correct an error in the classification of one low cost home ownership property as market rented and 10 non-social leased properties as low cost home ownership in 2015.

5. Operating surplus

	Group		Company	
	2016	**2015 Restated**	**2016**	**2015 Restated**
	£'000	**£'000**	**£'000**	**£'000**
This is arrived after charging/(crediting):				
Depreciation of social housing properties	16,772	17,315	-	-
Impairment of housing properties	-	3,173	-	-
Depreciation of other tangible fixed assets	2,205	2,627	-	-
Impairment of other tangible fixed assets	685	-	-	-
Operating lease rentals				
- Land and buildings	584	668	3	-
- Office equipment and computers	339	224	261	172
- Motor vehicles	972	907	972	30
Auditors' remuneration (excluding VAT)				
- For audit services	106	75	105	74
- For taxation compliance services	15	14	14	13
- For taxation advisory services	76	16	76	16
- For audit-related assurance services	5	5	-	-
- For other assurance services	214	7	214	7

Auditors’ remuneration includes fees for all entities within Thirteen Housing Group. Of the £105,950 recognised for audit services, £35,000 relates to the completion of the audit of the financial statements for the year ended 31 March 2015.

Comparative values have been restated to correct a prior period error. Auditors remuneration paid to the group’s auditors now includes for all services provided and is exclusive of VAT.

6. Gain/(loss) on disposal of property, plant and equipment (fixed assets)

Group	2016 £'000	2015 £'000
Housing properties		
Disposal proceeds	4,462	4,095
Repayable to the local authority	(477)	(422)
Discount repaid	31	-
Carrying value of fixed assets	(3,357)	(3,427)
Administrative costs of sale	(3)	(8)
	656	238
Capital grant recycled (note 25)	26	81
Disposal proceeds fund (note 26)	(159)	(677)
	523	(358)
Other tangible fixed assets		
Disposal proceeds	95	1
Carrying value of fixed assets	(35)	(1)
Administrative costs of sale	-	(4)
	60	(4)

7. Interest receivable

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank interest receivable and similar income	311	322	10	9
Loan interest receivable	-	20	-	-
	311	342	10	9

Notes to the Financial Statements

8. Interest payable

Group	**2016 £'000**	**2015 £'000**
Loans and bank overdrafts	13,709	14,007
Amortisation of borrowing costs	85	85
Interest payable charged to other activities	(113)	(103)
Other interest payable	92	129
	13,773	14,118
Interest payable capitalised on housing properties under construction	(1,591)	(1,379)
	12,182	12,739

Average interest rate used to determine the amount of finance cost capitalised during the year:

	2016	**2015**
Erimus Housing	4.18%	4.20%
Housing Hartlepool	4.38%	3.89%
Tees Valley Housing	4.67%	4.62%
Tristar Homes	3.92%	3.89%

9. Employees

Average monthly number of employees

	Group		Company	
	2016 Number	**2015 Number**	**2016 Number**	**2015 Number**
Administration	161	127	161	127
Regeneration and development	32	35	32	35
Housing, support and care	1,341	1,322	485	174
	1,534	1,484	678	336

Expressed as full time equivalents

	Group		Company	
	2016 Number	**2015 Number**	**2016 Number**	**2015 Number**
Administration	157	123	157	123
Regeneration and development	31	35	31	34
Housing, support and care	1,241	1,236	474	170
	1,429	1,394	662	327

Employee costs

	Group		Company	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Wages and salaries	40,867	38,794	21,149	9,414
Social security costs	3,022	2,856	1,605	828
Other pension costs	3,694	3,715	2,149	1,030
	47,583	45,365	24,903	11,272
Restructuring costs	909	2,752	775	674
	48,492	48,117	25,678	11,946

Other pension costs exclude current service costs accounted for under section 28 of FRS 102. These service costs amounted to £1,450k for the financial year (2015 restated: £864k) for the group and £131k (2015 restated: £83k) for the company.

Other pension costs exclude payments to the Social Housing Pension Scheme to fund past deficits. These payments amount to £462k for the financial year (2015: £443k) for the group and £118k (2015: £113k) for the company.

Other pension costs also exclude payments to the Pensions Trust to fund past deficits of the growth plan. These payments amount to £17k for the financial year (2015: £17k) for the group.

Past service deficit payments to the Teesside Pension Fund are also excluded. These payments amount to £283k for the financial year (2015: £283k) for the group.

Restructuring costs have been included in operating costs and relate to redundancy and associated costs following the formation and subsequent restructuring of Thirteen Housing Group.

10. Key management personnel

Group and company

Executive directors	**Basic salary £'000**	**Benefits in kind £'000**	**Pension contributions £'000**	**2016 Total £'000**	**2015 Total £'000**
Alison Thain (to 30 June 2016)	174	7	19	200	195
Cath Purdy (to 30 June 2015)	46	-	6	52	180
Barbara Heather Ashton	127	-	19	146	141
Martin Hawthorne	114	5	12	131	125
Mike Kay (to 15 March 2015)	-	-	-	-	125
Russell Thompson (from 3 August 2015)	85	3	9	97	-
Dave Pickard	118	-	17	135	131
Colin Wilson (to 5 April 2014)	-	-	-	-	1
Christine Smith	108	-	19	127	123
Douglas Ross (to 6 April 2014)	-	-	-	-	1
Susan Bickerton (to 10 July 2015)	22	-	2	24	82
	794	15	103	912	1,104

During the year, the Chief Executive Alison Thain was a member of the Social Housing Pension Scheme. She was an ordinary member of the pension scheme and no enhanced or special terms applied. The group did not make any further contribution to an individual pension arrangement for the Chief Executive.

The emoluments of the highest paid director, excluding pension contributions, were £181,019 (2015: £176,297).

The full time equivalent number of staff who received emoluments:

	Group		**Company**	
	2016 Number	**2015 Number**	**2016 Number**	**2015 Number**
£60,000 to £70,000	-	-	-	-
£70,001 to £80,000	8	10	8	9
£80,001 to £90,000	4	6	4	6
£90,001 to £100,000	1	1	1	1
Over £100,000	5	7	5	7

Non-executive directors

Emoluments paid to non-executive directors of the group amounted to £183,794 (2015: £183,747) and reimbursement for expenses amounted to £11,432 (2015: £9,058).

11. Tax on surplus on ordinary activities

	Group		Company	
Current tax	**2016 £'000**	**2015 £'000**	**2016 £'000**	**2015 £'000**
UK corporation tax on profits for the year	(1)	1	-	-
Adjustments in respect of prior years	-	-	-	-
Tax on ordinary activities	(1)	1	-	-

Factors affecting tax charge for the current year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	Group		Company	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Surplus on ordinary activities before taxation	18,604	19,933	-	-
Tax on profit at standard UK tax rate of 20% (2015: 21%)	3,721	4,186	-	-
Effects of:				
Non-taxable income	(3,722)	(4,185)	-	-
Expenses not deductable for tax purposes	1	6	1	6
Movement in short term timing differences	(8)	148	(8)	148
Utilisation of tax losses	(30)	19	(30)	19
Items charged elsewhere	16	(173)	16	(173)
Impact of FRS 102 transitional adjustments	21	-	21	-
Total current tax charge for the financial year	(1)	1	-	-

12. Tangible fixed assets – housing properties

Group

	Social housing properties held for letting Restated £'000	Housing properties for letting under construction Restated £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total housing properties £'000
Historical or deemed cost					
At 1 April 2015	852,934	59,032	52,989	6,573	971,528
Reclassifications	1,459	-	(1,459)	-	-
Additions	68	23,905	406	4,226	28,605
Works to existing properties	6,922	1,620	-	-	8,542
Interest capitalised	-	1,347	-	244	1,591
Schemes completed	23,338	(23,338)	1,037	(1,037)	-
Disposals	(5,054)	-	(514)	-	(5,568)
Transfers to other fixed assets	-	(203)	-	-	(203)
Transfer to current assets	2,917	(5,675)	(385)	(2,967)	(6,110)
At 31 March 2016	882,584	56,688	52,074	7,039	998,385
Depreciation and impairment					
At 1 April 2015	44,399	3,795	3,115	169	51,478
Depreciation charged in year	16,062	-	710	-	16,772
Impairment charged in year	-	-	-	-	-
Depreciation released on disposal	(1,295)	-	(59)	-	(1,354)
Disposal of previously impaired properties	(59)	-	-	-	(59)
At 31 March 2016	59,107	3,795	3,766	169	66,837
Net book value					
At 31 March 2016	823,477	52,893	48,308	6,870	931,548
At 31 March 2015	808,535	55,237	49,874	6,404	920,050

The opening balance of cost of social housing properties held for letting and housing properties for letting under construction have been restated as a result of a reclassification of work-in-progress between categories.

Notes to the Financial Statements

12. Tangible fixed assets – housing properties

Transitional arrangements

For Erimus Housing, Tristar Homes and Housing Hartlepool, properties were transferred from the local authority for a nominal sum. They have therefore opted to apply the transitional arrangement whereby the opening balance sheet position at 1 April 2014 states housing property assets at existing use value for social housing (EUV-SH) and this position is frozen and becomes deemed cost, as it was felt this was the most accurate reflection of the cost of their properties.

Tees Valley Housing was the developer of the majority of its housing properties and retains detailed historic cost records. It therefore opted to revert to historic cost as it was felt that this was the most appropriate measure of the cost of its properties

Social housing assistance

Total accumulated social housing grant receivable at 31 March was:

Group	**2016** **£'000**	**2015** **£'000**
Amounts held as deferred income	111,890	104,765
Amounts charged to income and expenditure	69,851	68,721
	181,741	173,486

Housing properties book value, net of depreciation

Group	**2016** **£'000**	**2015** **£'000**
Freehold land and buildings	903,604	904,664
Long leasehold land and buildings	14,109	14,332
Short leasehold land and buildings	13,835	407
	931,548	919,403

Expenditure on works to existing properties

Group	**2016** **£'000**	**2015** **£'000**
Components capitalised to property assets	8,542	24,174
Components capitalised to other fixed assets	2,038	-
Amounts charged to income and expenditure account	31,714	24,966
	42,294	49,140

12. Tangible fixed assets – housing properties

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.

No impairment provision was made in 2016 (2015: £3.2m).

13. Tangible fixed assets - other

Group

	Freehold land and buildings	Furniture fittings and ICT / office equipment	Other plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2015	32,068	20,200	1,325	1,204	54,797
Additions	2,227	5,129	78	-	7,434
Disposals	(113)	(55)	-	-	(168)
At 31 March 2016	34,182	25,274	1,403	1,204	62,063
Depreciation					
At 1 April 2015	1,082	9,400	456	629	11,567
Charged in year	292	1,618	74	221	2,205
Impairment charge in year	685	-	-	-	685
Released on disposal	(78)	(55)	-	-	(133)
At 31 March 2016	1,981	10,963	530	850	14,324
Net book value					
At 31 March 2016	32,201	14,311	873	354	47,739
At 31 March 2015	30,986	10,800	869	575	43,230

Thirteen Housing Group (the parent company) is non asset-owning. The ownership of tangible fixed assets is divided between the subsidiary companies using an appropriate method of cost apportionment.

Impairment

The company 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 £0.7m was made in 2016 (2015: £nil).

14. Investment properties: non-social housing properties held for letting

Group	**2016**	**2015**
	£'000	**£'000**
At 1 April	2,510	2,510
Movement in value	(100)	-
At 31 March	2,410	2,510

Investment properties were valued as at 31 March 2016 by Greig Cavey Commercial Limited, professional external valuers 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. Homebuy loans receivable

Group

Shared Equity and Homebuy Direct loans	**2016**	**2015**
	£'000	**£'000**
At 1 April	1,053	1,053
New loans issued	48	-
At 31 March	1,101	1,053

16. Financial assets

Group	**2016**	**2015**
	£'000	**£'000**
Financial investment in Woodside Landholdings Limited	1	1
	1	1

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

17. Investments in subsidiaries

As required by statute, the financial statements consolidate the results of Erimus Housing, Housing Hartlepool, Tees Valley Housing, Tristar Homes, Thirteen Care and Support and Vela Homes which were subsidiaries of the company at the end of the financial year.

The company has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them. Erimus Housing, Housing Hartlepool, Tees Valley Housing and Tristar Homes are registered providers of social housing, and Thirteen Care and Support is a registered charity. Vela Homes was dormant throughout the financial year. During the financial year Thirteen Housing Group was the ultimate parent.

Erimus Housing has a further subsidiary, Optimus Homes and Tees Valley Housing has two subsidiaries, Portico Homes and Partnering Plus. Thirteen Care and Support, Optimus Homes, Portico Homes, Partnering Plus and Vela Homes are not registered providers of social housing.

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

	Service provided	**Cost allocation basis**	**2016 £'000**	**2015 £'000**
Partnering Plus	Regeneration consultancy	Staff time x hourly rate	6	6
Thirteen Care and Support	Management services	Assessment of service usage	432	348
			438	354

In addition, Thirteen Care and Support provided services to registered group companies as follows:

	Service provided	**Cost allocation basis**	**2016 £'000**	**2015 £'000**
Tees Valley Housing	Tenancy support	Agreed fixed fee	42	32
Erimus Housing	Funding of client service	As per agreement	33	65
Erimus Housing	Tenancy support	Recovery of actual costs	42	-
Housing Hartlepool	Tenancy support	Agreed fixed fee	58	-
Tristar Homes	Tenancy support	Agreed fixed fee	92	37
			267	134

Registered group companies also provided services to Thirteen Care and Support as follows:

	Service provided	**Cost allocation basis**	**2016 £'000**	**2015 £'000**
Tees Valley Housing	Leased properties	Percentage of rental income net of voids	280	359
Erimus Housing	Provision of client services	Recovery of actual costs	26	27
			306	386

18. Properties for sale

Group

	2016 £'000	2015 £'000
Properties completed for sale	6,306	4,901
Properties in development for sale	3,781	2,288
	10,087	7,189

19. Stock

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Raw materials and consumables	198	209	198	0

20. Debtors

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Due within one year				
Rent and service charges receivable	10,501	13,442	-	-
Less: provision for bad and doubtful debts	(4,448)	(4,149)	-	-
Net rental debtors	6,053	9,293	-	-
Sales ledger debtors	2,210	1,645	2,210	1,645
Less: provision for bad and doubtful debts	(719)	(1,114)	(719)	(1,114)
Capital grants receivable	-	18	-	-
Revenue grants receivable	34	-	-	-
Development debtors	8	6	-	-
VAT reclaimable	764	1,644	479	1,265
Loan to Whitby Network	12	12	-	-
Amounts owed by group undertakings	-	-	10,128	6,034
Other debtors	633	736	14	6
Prepayments and accrued income	8,867	2,828	1,057	792
	17,862	15,068	13,169	8,628
Due after more than one year				
Prepayments and accrued income	25	22	25	22
Loan to Whitby Network	44	56	-	-
	17,931	15,146	13,194	8,650

The loan to Whitby Network 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 is due to be repaid by 31/07/2020.

21. Cash and cash equivalents

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Money market deposits	9,796	9,731	-	-
Deposit accounts	21,845	28,574	-	-
Leaseholders' trust account	250	249	-	-
Cash at bank and in hand	19,172	9,772	610	170
	51,063	48,326	610	170

22. Creditors: amounts falling due within one year

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Debt (note 27)	6,158	5,070	-	-
Rent and service charges received in advance	5,079	2,827	-	-
Social housing grant received in advance	6,743	8,306	-	-
Deferred capital grant	862	822	-	-
Recycled capital grant fund (note 25)	-	5	-	-
Disposals proceeds fund (note 26)	-	220	-	-
Development creditors	2,212	4,057	-	-
VAT payable	185	306	-	-
Corporation tax	1	1	-	-
Other taxation and social security	823	786	138	129
Other creditors	7,603	9,368	4,120	4,964
Big Lottery Fund grant	34	77	-	-
Restructuring costs	716	352	649	20
Accruals and deferred income	11,619	13,284	3,740	919
Amounts owed to group undertakings	-	-	4,671	2,174
	42,035	45,481	13,318	8,206

The amount received during the year from the Big Lottery Fund Grant was £217,883 (2015: £244,648).The income is restricted to spend on the ' Know Your Money' project, a 4 year project due to complete in January 2017.

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

Group

	2016 £'000	2015 £'000
Debt (note 27)	329,200	327,964
Borrowing costs unamortised	(723)	(807)
Deferred capital grant	107,347	101,990
Recycled capital grant fund (note 25)	303	368
Disposals proceeds fund (note 26)	1,402	1,023
Other creditors	15	15
	437,544	430,553

24. Deferred capital grant

Group

	2016 £'000	2015 £'000
At 1 April	102,812	92,489
Grant received in the year	6,719	11,529
Released to income in the year	(1,114)	(1,016)
Released to the RCGF on disposal	(208)	(190)
At 31 March	108,209	102,812

	2016 £'000	2015 £'000
Amounts to be released within one year	862	822
Amounts to be released in more than one year	107,347	101,990
	108,209	102,812

25. Recycled capital grant fund

Group

Funds pertaining to activities within areas covered by the HCA:	**2016 £'000**	**2015 £'000**
At 1 April	373	152
Inputs to the RCGF: Grants recycled	254	221
Recycling of grant: New build	(324)	-
At 31 March	303	373
Amounts 3 years old or older	-	5

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

26. Disposal proceeds fund

Group

Funds pertaining to activities within areas covered by the HCA	**2016 £'000**	**2015 £'000**
At 1 April	1,243	1,027
Inputs to DPF: Funds recycled	159	677
Recycling of grant: New build	-	(461)
At 31 March	1,402	1,243
Amounts 3 years old or older	387	457

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

27. Debt analysis

Group

Housing loans	**2016**	**2015**
	£'000	**£'000**
Debt profile		
Accrued interest	1,364	1,536
Bank and building society loans at fixed rates of interest	177,899	203,444
Bank and building society loans at variable rates of interest	156,095	128,054
	335,358	333,034

Terms of repayment and interest rates

The fixed rates of interest are between 3.1% and 11.77%.

The variable rates of interest are between 0.25% and 1.85% over LIBOR.

Final instalments fall to be repaid in the period from 2015 to 2039.

Debt is repayable as follows:

	2016	**2015**
	£'000	**£'000**
Within one year or on demand	6,158	5,070
One year or more but less than two years	10,807	30,534
Two years or more but less than five years	72,626	50,714
Five years or more	245,767	246,716
	335,358	333,034

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

As at 31 March 2016 the group had undrawn loan facilities of £58.6million (2015: £64.6million).

28. Non-equity share capital

Group

Shares of £1 each issued and fully paid	**2016**	**2015**
	£	**£**
At 1 April	12	12
Shares issued during the financial year	-	-
At 31 March	12	12

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.

Minority interest in group companies	**2016**	**2015**
	£'000	**£'000**
Minority interest in Partnering Plus Limited	12	12

29. Pension provisions

The group participates in the following 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,
The Pensions Trust Growth Plan: a multi-employer defined benefit pension scheme, and
Aegon: a defined contribution pension scheme.

The Pensions Trust - Social Housing Pension Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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 company 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 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123million, liabilities of £4,446million and a deficit of £1,323million. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6million per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6million per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7million per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7million per annum (payable monthly and increasing by 3.0% each year on 1st April)

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Notes to the Financial Statements

29. Pension provisions

Social Housing Pension Scheme (continued)

Present values of provision

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000s**	**£'000s**
Present value of provision	4,785	3,803	967	836

Reconciliation of opening and closing provisions

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000s**	**£'000s**
Provision at start of period	3,803	3,963	836	891
Unwinding of the discount factor (interest expense)	68	112	15	26
Deficit contribution paid	(462)	(443)	(118)	(113)
Remeasurements - impact of any change in assumptions	(29)	171	(5)	32
Remeasurements - amendments to the contribution schedule	1,405	-	239	-
Provision at end of period	4,785	3,803	967	836

Income and expenditure impact

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000s**	**£'000s**
Interest expense	68	112	15	26
Remeasurements - impact of any change in assumptions	(29)	171	(5)	32
Remeasurements - amendments to the contribution schedule	1,405	-	239	-
Contributions paid in respect of future service	920	738	333	253
Costs recognised in income and expenditure account	2,364	1,021	582	311

Assumptions

	Group		Company	
	2016	**2015**	**2016**	**2015**
	% per annum	**% per annum**	**% per annum**	**% per annum**
Rate of discount	2.06	1.92	2.06	1.92

Notes to the Financial Statements

29. Pension provisions

The Pensions Trust - The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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 company 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 at 30 September 2011. This actuarial valuation showed assets of £780million, liabilities of £928million and a deficit of £148million. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2013 to 31 March 2023:	£13.9million per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2025	£12.9million per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028	£54.6k per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Notes to the Financial Statements

29. Pension provisions

The Growth Plan (continued)

Group

Present values of provision

	2016 £'000	2015 £'000
Present value of provision	182	146

Group

Reconciliation of opening and closing provisions

	2016 £'000	2015 £'000
Provision at start of period	146	153
Unwinding of the discount factor (interest expense)	3	4
Deficit contribution paid	(17)	(17)
Remeasurements - impact of any change in assumptions	(3)	6
Remeasurements - amendments to the contribution schedule	53	-
Provision at end of period	182	146

Group

Income and expenditure impact

	2016 £'000	2015 £'000
Interest expense	3	4
Remeasurements - impact of any change in assumptions	(3)	6
Remeasurements - amendments to the contribution schedule	53	-
Contributions paid in respect of future service	2	2
Costs recognised in income and expenditure account	55	12

Assumptions

	2016 % per annum	2015 % per annum
Rate of discount	2.07	1.74

Notes to the Financial Statements

29. Pension provisions

Teesside Pension Fund

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 2013.

The employer's contributions to the Teesside Pension Fund by the group for the year ended 31 March 2016 were £3.2million (2015: £3.96million), made up as follows:

	Contributions		**Contribution rate**	
Employer	**2016**	**2015**	**2016**	**2015**
	£'000	**£'000**	**%**	**%**
Thirteen Housing Group	201	234	17.9	17.9
Erimus Housing	826	880	15.3	15.3
Housing Hartlepool	870	1,294	14.8	14.8
Tristar Homes	1,264	1,555	14.8	14.8

	31 March 2016	**31 March 2015**
	% per annum	**% per annum**
Discount rate	3.4	3.2
RPI price inflation	2.9	2.9
CPI price inflation	1.8	1.8
Pension increases	1.8	1.8
Pension accounts revaluation rate	1.8	1.8
Salary increases	3.3	3.3

Contribution rates are fixed until 31 March 2017.

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 2016**	**31 March 2015**
		No. of years	**No. of years**
Aged 65 at accounting date	Males	23.1	23.0
	Females	25.6	25.5
Aged 45 at accounting date	Males	25.3	25.2
	Females	28.0	27.8

29. Pension provisions

Teesside Pension Fund (continued)

Breakdown of amounts recognised in profit and loss

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Current service cost	4,507	4,087	332	273
Past service cost	28	667	-	44
Curtailments	76	121	-	-
Amounts charged to operating costs	4,611	4,875	332	317

	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Net interest cost	1,272	1,145	42	18
Amounts charged to other finance costs	1,272	1,145	42	18

Analysis of amounts recognised in other comprehensive income

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Total actuarial losses	3,730	(10,630)	317	(793)
Changes in assumptions underlying the present value of scheme liabilities	-	-	-	-
	3,730	(10,630)	317	(793)
Cumulative actuarial loss	(33,107)	(36,837)	969	652

Reconciliation of funded status to balance sheet

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Present value of scheme liabilities	(169,808)	(172,195)	(11,866)	(12,064)
Fair value of assets	129,499	130,878	10,587	10,641
Net liability recognised in the balance sheet	(40,309)	(41,317)	(1,279)	(1,423)

Notes to the Financial Statements

29. Pension provisions

Teesside Pension Fund (continued)

Changes to the present value of the defined benefit obligation

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Opening scheme liabilities	(172,195)	(148,132)	(12,064)	(10,323)
Current service cost	(4,507)	(4,098)	(332)	(273)
Interest cost	(5,480)	(6,292)	(385)	(438)
Actuarial gains/(losses) on scheme liabilities	10,560	(16,606)	873	(1,280)
Benefits paid	3,109	4,984	142	387
Contributions by participants	(1,191)	(1,262)	(100)	(93)
Past service cost	(28)	(668)	-	(44)
Curtailments	(76)	(121)	-	-
Closing defined benefit obligation	(169,808)	(172,195)	(11,866)	(12,064)

Changes to the fair value of assets

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Opening fair value of Scheme assets	130,878	119,514	10,641	9,794
Interest income on assets	4,208	5,147	343	420
Remeasurement (losses)/gains on assets	(6,830)	5,976	(556)	487
Contributions by employer	3,161	3,963	201	234
Contributions by participants	1,191	1,262	100	93
Benefits paid	(3,109)	(4,984)	(142)	(387)
Closing fair value of scheme assets	129,499	130,878	10,587	10,641

Aegon

The Aegon pension scheme is a defined contribution scheme available to employees of Thirteen Care and Support. The cost of the scheme is equal to the employer contributions payable in the year. During the year Thirteen Care and Support contributed £145,227 (2015: £69,567) to the scheme.

30. Capital commitments

Group

Capital expenditure commitments were as follows:	**2016**	**2015**
	£'000	**£'000**
Expenditure contracted for, but not provided for in the financial statements	52,738	28,931
Expenditure authorised by the board, but not contracted	30,920	84,288
	83,658	113,219

Expenditure authorised by the board but not contracted includes capital major repairs works of £27.1million.

The capital commitments for the development of new property assets will be financed from the company's available resources, which are from revenue surpluses generated, borrowing from approved loan facilities and social housing grants. The balance of funding is determined as the new development schemes occur and commitments are realised.

31. Contingent liabilities

The Pensions Trust

Group

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 2015. As of this date the estimated employer debt for the group was £31.6million. No provision has been made in the financial statements for this amount as the possibility of the liability arising is considered to be remote.

In addition the group, participates in the Pension Trust's Growth Plan. The estimated employer debt on withdrawal from this scheme as notified by the Pensions Trust based on figures provided at 30 September 2016 was £0.2million. 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

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. The agreement included a commitment to ARCC to provide a loan facility of up to £2.4million should support be required prior to the receipt of payment for service provision. Should the consortium fail, the group is liable for up to £1million 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.

32. Net cash inflow from operating activities

Group	**2016** **£'000**	**2015** **£'000**
Surplus for the year	18,605	19,932
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	19,603	19,942
Impairment of tangible fixed assets	-	3,173
Amortisation of social housing grant	1,114	(1,016)
Surplus on sale of housing properties	(216)	(310)
Pension costs less contributions payable	1,450	912
Pension finance costs	1,343	1,145
Pension deficit payments	(479)	(460)
Accelerated depreciation on disposal	857	-
Carrying amount of tangible fixed asset disposals	3,392	4,023
(Increase) in properties for outright sale	(2,682)	(2,073)
Decrease in stock	11	13
(Increase)/decrease in debtors	(2,783)	257
(Decrease)/increase in creditors	(4,197)	7,830
Adjustments for investing or financing activities:		
Proceeds from sale of tangible fixed assets	(3,975)	(3,662)
Interest payable	12,111	12,739
Interest receiveable	(311)	(342)
Net cash generated from operating activities	43,843	62,103

33. Operating leases

Operating leases where the group and company is the lessee

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Land and buildings - housing properties				
Payments due:				
Not later than one year	308	310	-	-
Later than one year and not later than five years	923	931	-	-
Later than five years	1,010	1,197	-	-
	2,241	2,438	-	-
Land and buildings - other				
Payments due:				
Not later than one year	139	319	6	3
Later than one year and not later than five years	121	618	9	15
Later than five years	644	939	-	-
	904	1,876	15	18
Office and other equipment				
Payments due:				
Not later than one year	248	338	248	212
Later than one year and not later than five years	420	323	420	323
Later than five years	-	-	-	-
	668	661	668	535
Motor vehicles				
Payments due:				
Not later than one year	684	1,018	684	1,018
Later than one year and not later than five years	20	333	20	333
Later than five years	-	-	-	-
	704	1,351	704	1,351

Housing property leases relate to properties leased from private landlords. There are no purchase options. The final lease expires in October 2030.

Other land and buildings leases relate to office buildings. There are no purchase options. The final lease expires in September 2044.

Other equipment leases relate to grass cutting equipment. There are no purchase options. The final lease expires in November 2015.

Office equipment leases relate to photocopiers. There are no purchase options. The final lease expires in September 2015.

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.

33. Operating leases

Operating leases where the group and company is the lessor

Housing properties

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:

Group	**2016**	**2015**
Land and buildings - housing properties	**£'000**	**£'000**
Payments due:		
Not later than one year	108	106
Later than one year and not later than five years	449	441
Later than five years	817	932
	1,374	1,479

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 12 months' notice.

Commercial property leases

The group owns 74 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 February 2028. Future minimum rentals receivable under these leases are as follows:

	2016	**2015**
Land and buildings - other	**£'000**	**£'000**
Payments due:		
Not later than one year	328	364
Later than one year and not later than five years	464	701
Later than five years	150	188
	942	1,253

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.

33. Operating leases

Social Housing - General needs, supported housing and housing for older people

The group acts as lessor for operating leases for its tenanted housing properties. The lease arrangements for these types of property are cancellable by the lessee.

Operating leases in this category are for social housing that is regulated and bound by restrictions on rents by the Homes and Communities Agency (HCA).

Payments under these operating leases include both lease rental payments and service charges. Rents are set at either a target social rent using the HCA rent formula or an affordable rent which is deemed to be 80% of market rent. More information on these rent regimes can be found on the HCA website.

Service charges may be fixed or variable. Fixed charges are set at 1 April and are not adjusted to recover under or over payments from previous years. Variable charges are adjusted annually to recover the amount expended on delivering the services.

The significant leasing arrangements in place are:

Assured tenancies
Assured tenancies are for no fixed period and unless there is a breach of tenancy by the lessee which results in enforcement action the tenancy cannot normally be terminated by the lessor. The tenancy can be ended by the lessee with 28 days' notice. Assured tenancies that were transferred from the local authority have protected right to buy (RTB). Tenancies that commenced after the local authority stock transfer have the right to acquire (RTA). The rent is set at the commencement of the tenancy and is normally reviewed on the 1 April. The lessor must give one month's notice of intention to change the rent. Changes in rent are made in line with rent guidance from the HCA.

Assured shorthold tenancies
Assured shorthold tenancies are for a fixed duration of a minimum of six months and not more than two years. Unless there is a breach of tenancy by the lessee which results in enforcement action, the tenancy cannot be ended by the lessor within the first six months but can then be ended with two months' notice. The tenancy can be ended by the lessee with 28 days' notice. RTB or RTA does not apply. Assured shorthold tenancies are normally used for supported or specialist housing and the rent is set in accordance with the HCA rent standard and takes into account the level of services received in agreement with the local housing benefit department. The lessor must give one month's notice of intention to change the rent.

Secure tenancies
Secure tenancies are no longer issued for new tenancies unless a secure tenant transfers to a new property in which case they are afforded the same rights and conditions in their new tenancy. They are for no fixed period and, unless there is a breach of tenancy by the lessee which results in enforcement action, the tenancy cannot normally be terminated by the lessor. The tenancy can be ended by the lessee with 28 days' notice. RTB applies. Rents are increased every two years usually on the anniversary of the tenancy and must be agreed by the Valuation Office Agency incorporating Rent Officer functions.

Fixed term tenancies
Fixed term tenancies are for a term of three years and, unless there is a breach of tenancy by the lessee which results in enforcement action, the tenancy cannot normally be terminated by the lessor within the three year period. The tenancy can be ended by the lessee with 28 days' notice. Fixed term tenancies are normally used for mortgage rescue and intermediate market rented schemes. Rent is set at the commencement of the tenancy and is normally reviewed on the 1 April. The lessor must give one month's notice of intention to change the rent. Changes in rent are made in line with rent guidance from the HCA.

33. Operating leases

Equitable tenancy
Equitable tenancies are used for under 18s and are not a tenancies legally, but are equitable agreements to hold a tenancy in trust until the person reaches 18. The tenancy can be ended by the lessor with two months' notice and by the lessee with 28 days' notice. The rent is set at the commencement of the tenancy and is normally reviewed on 1 April. The lessor must give one month's notice of intention to change the rent. Changes in rent are made in line with rent guidance from the HCA.

License
Licenses are used for shared tenancies where the licensee does not have exclusive occupation rights or security of tenure. The licensee can end the agreement without giving notice and the landlord can end the agreement giving "reasonable notice", usually 28 days.

Starter tenancy
Starter tenancies are issued initially for 12 months and may be extended to 18 months. The lessor may cancel by giving two months' notice and the lessee may cancel by giving 28 days' notice. RTB and RTA do not apply. Rent is set at the commencement of the tenancy and is normally reviewed on 1 April. The lessor must give one month's notice of intention to change the rent. Changes in rent are made in line with rent guidance from the HCA.

As at 31 March 2016 there were 32,995 (2015: 31,945) social housing properties in management under one of the arrangements described above.

Social housing – shared ownership leases

Under shared ownership the lessee owns a percentage of the equity of the property. The lessor retains the remaining equity and grants a lease for that share. There are a number of differing leases but the main terms are similar. The term of the lease amortises over time and if the lease is sold, only the remaining term is transferred to the new lessee.

The lessee may at any point purchase a further share of the equity of the property until up to 100% of the equity is owned.

Payments under these operating leases include lease rental payments, service charges, insurance and management fees. Rents are set initially in accordance with the terms of the HCA funding and are increased according to the terms of the each lease. Service charges are normally variable and are adjusted annually to recover the amount expended on delivering the services.

As at 31 March 2016 there were 560 (2015: 620) shared ownership leases in place.

Leasehold properties

Leasehold properties are usually flats or apartments that have been purchased on a fixed term lease. The term of the lease amortises over time and if the lease is sold, only the remaining term is transferred to the new lessee.

Payments under these operating leases include ground rent, service charges, insurance and management fees. Service charges are normally variable and are adjusted annually to recover the amount expended on delivering the services.

As at 31 March 2016 there were 738 (2015: 645) leases in place.

33. Operating leases

Leasehold schemes for the elderly (LSE)

Under LSE the lessee owns a percentage of the equity of the property. The lessor retains the remaining equity but there is no rent charged on this. There are a number of differing leases but the main terms are similar. The lease term is fixed and amortises over time, however if the lease is sold a new lease is issued for the full term.

The lessee may at any point purchase further shares of the equity of the property until up to 100% of the equity is owned.

Payments under these operating leases include service charges, insurance and management fees. Service charges are normally variable and are adjusted annually to recover the amount expended on delivering the services.

As at 31 March 2016 there were 146 (2015: 146) LSE leases in place.

Student accommodation

The group owns 56 student accommodation units that are leased on assured shorthold tenancy agreements with a duration of 43 weeks. Rents are set at a level consistent with other similar accommodation in the area and are fixed for the term of the tenancy.

A further 25 units of student accommodation are leased to Cleveland College of Art and Design at a peppercorn rent. The lease runs until September 2017 with an option to extend for two years.

Garages

The group owns 3,320 (2015: 2,744) garages that it leases to third parties on a cancellable basis.

34. Related party transactions

Group

There were eleven tenant board members on the group's boards during the financial year, Pamela McIvor, Michelle Tierney (to 30 November 2015), Nicola Walker (to 3 September 2015), Lawren Walker (to 3 September 2015), Ann Callaghan, Paul Thomas (to 26 January 2016), Glen Rudd, Denise Ross, Michelle Bendelow (to 29 May 2015), Jim Scollen and Jim Seed (to 7 September 2015). Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. Aggregate rent charges relating to tenant board members were £44,864 (2015: £50,931), payments received were £33,121 (2015: £48,540) and aggregate amounts owing at 31 March 2016 were £1,445 (2015: £2,659).

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, the Pensions Trust Growth Plan: a multi-employer 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 Pensions Trust is £133,196 (2015: £117,748), the Teesside Pension Fund is £333,845 (2015: £334,506) and Aegon is £14,343 (2015 £9,661).

Transactions with Middlesbrough Borough Council

There were three members of Middlesbrough Borough Council (MBC) on the group and company boards during the financial year, Nicola Walker (to 3 September 2015), Tracey Harvey and Mick Thompson. All transactions with Middlesbrough Borough Council were on an arms-length basis. Transactions during the financial year were as follows:

	2016	**2015**
	£'000	**£'000**
Purchases	415	424
Cash collected on MBC's behalf	136	229
Sales	1,571	1,541
Balance included in debtors at 31 March	122	28
Balance included in creditors at 31 March	116	11

Transactions with Redcar and Cleveland Borough Council

There was one member of Redcar and Cleveland Borough Council on the group and company boards during the financial year, Sue Jeffrey (to 7 September 2015). All transactions with Redcar and Cleveland Borough Council were on an arms-length basis. Transactions during the financial year were as follows:

	2016	**2015**
	£'000	**£'000**
Purchases	21	42
Sales	443	469
Balance included in debtors at 31 March	-	4
Balance included in creditors at 31 March	11	-

Notes to the Financial Statements

34. Related party transactions

Transactions with Stockton-on-Tees Borough Council
There were four members of Stockton-on-Tees Borough Council (SBC) on the group and company boards during the financial year, Steve Nelson, Tina Large (to 10 June 2015) and Norma Stephenson O.B.E. (to 10 June 2015) and Paul Rowling (from 10 June 2015). All transactions with Stockton-on-Tees Borough Council were on an arms-length basis. Transactions during the financial year were as follows:

	£'000	**£'000**
Purchases	3,803	2,455
Time-to-Buy	-	120
VAT Shelter arrangement	1,299	1,839
Right-to-Buy receipts	269	89
Cash collected on SBC's behalf	140	36
Sales	698	696
Cash collected by SBC on the group's behalf	6,129	6,054
Balance included in debtors at 31 March	257	162
Balance included in creditors at 31 March	590	544

Transactions with Hartlepool Borough Council
There were two members of Hartlepool Borough Council (HBC) on the group and company boards during the financial year, Rob Cook and Paul Beck. All transactions with Hartlepool Borough Council were on an arms-length basis. Transactions during the financial year were as follows:

	£'000	**£'000**
Purchases	750	960
Cash collected on behalf of HBC	18	376
Right-to-Buy receipts	190	337
Sales	316	696
Balance included in debtors at 31 March	93	53
Balance included in creditors at 31 March	89	44

The company 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 17.

35. Agreements to improve existing properties

Group

Erimus Housing, Housing Hartlepool and Tristar Homes (the landlords) have 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 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 £185million. As at the 31 March 2016 these works are 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 £86million. As at the 31 March 2016 these works are 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 £217million. As at the 31 March 2016 the value of invoiced work on which VAT had been reclaimed was £86million (2015: £72million).

36. Joint ventures

Group

During the year, Erimus Housing entered into a joint venture agreement with Middlesbrough Borough Council 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 both Erimus Housing and Middlesbrough Borough Council have agreed to invest £0.8million 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 company accounts for its own share of assets, liabilities and cash flows in this joint arrangement, measured in accordance with the terms of the arrangement.

At the 31 March 2016, Erimus Housing had made no payments (2015: £nil) in relation to the investment fund.

Erimus Housing has entered into a joint venture agreement with Middlesbrough Borough Council to redevelop the area known as Grove Hill in Middlesbrough. Under this agreement both Erimus Housing and Middlesbrough Borough Council have agreed to invest £2.7m each into an investment fund to enable the site assembly of the Grove Hill area. At 31 March 2016, Erimus Housing had made payments of £0.2million (2015: £1.9m) in relation to the investment fund.

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

37. Financial assets and liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Categories of financial assets and liabilities				
Financial assets that are debt instruments measured at amortised cost	68,994	63,472	13,804	8,820
Financial assets that are equity instruments measured at cost less impairment	1	1	-	-
Financial liabilities measured at amortised cost	(371,235)	(373,445)	(13,318)	(8,206)
	(302,240)	(309,972)	486	614

The company's policy on financial instruments and managing financial risk are 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 company's debt and creditors. Details behind the debt instrument conditions, interest charges and repayment terms can be found in note 27.

38. Post balance sheet events

Since the balance sheet date we have commenced a review of the group's governance structure to ensure we are structured and resourced as efficiently as possible. Having five separate landlord companies within the group increases bureaucracy and duplication and is not considered an effective use of money and resources. The HCA is increasingly keen to see that groups offer streamlined, less complicated and less risky structures to drive efficiencies and value for money and enable more effective risk management.

There are a number of benefits associated with implementing a revised group structure. These include the ability to release and make best use of funding capacity, maximising resources and services across the group, limiting the need for recharges between companies and ensuring we are ready to collaborate on future opportunities in the area.

Savings can be realised by reducing the number of boards and board directors across the group. However, the greatest benefit of revising the structure will be the ability to release borrowing capacity across the group. We currently have four registered providers which means four sets of assets and four sets of loan covenants, each with a different capacity for borrowing.

We are therefore proposing to deliver social housing lettings and associated activities through one landlord in future. The impact of the revised group structure on Thirteen is not yet fully understood, but it is possible that the company will become an asset owning registered provider of social housing.

The restructure will require the approval of stakeholders including lenders and local authorities and consultation with tenants and other parties. Together with the legal process, we are expecting this to take a number of months to complete and the current expectation is that the new structure will be in place by 1 April 2017.

39. Prior period adjustments and transition to FRS 102

a. Correction of prior period error

The revaluation reserve at 31 March 2015 has been restated as a result of a correction relating to the disposal value of housing properties.

Explanations of changes for FRS 102 adoption

The Group has adopted FRS 102 for the year end 31 March 2016 and has restated the comparative prior year amounts.

i. SHPS Pension and Pensions Trust Growth Plan

Under section 28 the company is now required to recognise the net present value of any contractual agreements to make additional payments for a past deficit. This has been recognised under provisions.

ii. Government grants

Under section 24 government grants must be accounted for using either the performance model or the accrual model. The SORP states that social landlords that account for their properties at cost must adopt the accrual model and those that account for their properties at valuation must adopt the performance model. Erimus Housing, Housing Hartlepool and Tristar Homes have opted to apply the transitional arrangement whereby the opening balance sheet position at 1 April 2014 states housing property assets at Existing Use Value for Social Housing (EUV-SH) and this position is frozen and becomes deemed cost. Therefore the performance model applies at the point of transition and grants where the performance conditions had been met at that date have been credited to the revenue reserve. Tees Valley Housing has opted to revert to historic cost when accounting for its housing properties, therefore the accrual model applies at the point of transition and government grants, net of amortisation, have been credited to deferred income.

iii. Revaluation of housing properties

With effect from the date of transition the group has opted to account for its housing properties at cost. The revaluation adjustment for 2014/15 has therefore been reversed.

iv. Depreciation

Depreciation has been recalculated before the deduction of government grants creating an additional charge.

v. Amortisation of government grants

With effect from the transition date the accrual model has been adopted for the treatment of government grants. Government grants are included in creditors and amortised over the useful economic life of the property to which they relate.

vi. Teesside Pension Fund

The main difference between reporting under FRS 17 and FRS 102 relates to the calculation of the pensions financing cost. The financing cost will normally be significantly higher under FRS 102 than FRS 17 because the "expected return on assets" item is effectively calculated using the discount rate so that no credit is taken for the expected outperformance on the fund's assets. There are also differences in the treatment of surplus under the two standards.

vii. Holiday pay accrual

An accrual is now made for entitlement to holiday which has not been take at the year-end. This has been calculated based on a sample of employees’ holiday cards using average pay costs.

Notes to the Financial Statements

39. Transition to FRS 102

Explanations of changes for FRS 102 adoption (continued)

viii. Additional parent company recharge

Additional costs in Thirteen parent company arising from the adoption of FRS 102 are passed on to the landlord partners.

xi. Classification of housing properties

The association holds a number of non –social housing properties that it judges to be investment properties under FRS 102. These properties have been valued at their market value and there is an unrealised gain arising on transition.

xii Removal of harmonisation consolidation adjustments

A consolidation adjustment was previously required to harmonise differing accounting policies for the valuation of non-housing properties. This is no longer required as under the transitional arrangements the accounting treatments are deemed to be the same.

39. Transition to FRS 102

Restated consolidated statement of financial position

		Revenue		Restricted		Revaluation	
		31 March 2015 £'000	1 April 2014 £'000	31 March 2015 £'000	1 April 2014 £'000	31 March 2015 £'000	1 April 2014 £'000
	Original reserves	**147,820**	**131,412**	**292**	**175**	**392,346**	**385,160**
a	Correction of prior period error	-	-	-	-	647	-
	Restated original reserves	**147,820**	**131,412**	**292**	**175**	**392,993**	**385,160**
i	SHPS past deficit obligation	(3,949)	(4,116)	-	-	-	-
ii	Historic grant adjustment (Tees Valley Housing)	221	-	-	-	-	-
iii	Remove revaluation reserve - convert to historic cost (Tees Valley Housing)	17,151	17,151	-	-	(28,523)	(28,523)
iii	Remove transfers between revaluation and revenue reserves (Tees Valley Housing)	(480)	-	-	-	480	-
ii	Write off SHG at 31 March 2014 where performance conditions have been met	57,547	57,547	-	-	(55,970)	(55,970)
iii	Remove the revaluation adjustment in 2014/15	(646)	-	-	-	(15,357)	-
iii	Remove the revaluation adjustment for other fixed assets	-	-	-	-	(288)	-
iv	Adjustment for additional historical cost depreciation	(326)	-	-	-	(799)	-
iv	Additional depreciation charged on gross cost	(8,037)	(9,162)	-	-	-	-
ii	Amortised government grant	1,016	-	-	-	-	-
viii	Parent company additional recharge	-	-	-	-	-	-
vii	Holiday pay accrual	(278)	(280)	-	-	-	-
xi	Unrealised gain on the revaluation of investment properties	1,093	1,093	-	-	-	-
xii	Remove the consolidation adjustment for other fixed assets	-	-	-	-	12,442	12,154
	Restated reserves	**211,132**	**193,645**	**292**	**175**	**304,978**	**312,821**

Notes to the Financial Statements

39. Transition to FRS 102

Restated Company Statement of Financial Position

		Revenue	
		31 March 2015	**1 April 2014**
		£'000	**£'000**
	Original reserves	(913)	141
i	SHPS past deficit obligation	(836)	(891)
vii	Holiday pay accrual	(70)	(70)
viii	Parent company additional recharge	174	-
	Restated reserves	**(1,645)**	**(820)**

Consolidated restated recognised surplus for the year ended 31 March 2015

		2015 £'000	**Recognised in:**
	Original total recognised surpluses relating to the year	23,709	
i	SHPS deficit - Interest expense	(116)	Interest payable
i	SHPS deficit - remeasurements - impact of any change in assumptions	(177)	Other comprehensive income
i	SHPS deficit contributions - charged against provision	460	Operating expenditure
ii	Transfer previously amortised capital grant to RCGF on disposal (Tees Valley Housing)	(31)	
ii	Reclassify in-year grant addition (Tees Valley Housing)	(110)	
ii	Reverse posting to RCGF that went directly to reserves (Tees Valley Housing)	221	
iii	Adjust carrying value of housing property disposal to NBV at historic cost	32	
iii	Removal of revaluation surplus - housing properties	(15,357)	
iv	Additional depreciation charge	(537)	
v	Amortised government grant	1,012	Turnover
vi	TPF - restatement of net interest on DB scheme	(3,016)	Other finance costs
vi	TPF - restatement of current service cost & curtailments	(176)	Other operating expenditure
vi	TPF - restatement of actuarial loss in OCI	3,192	Other comprehensive income
vii	Movement in holiday pay accrual	2	Other operating expenditure
iii	2014/15 revaluation difference	2	
		(14,599)	
	Restated total comprehensive income for the year	**9,110**	

39. Transition to FRS 102

Restated recognised surplus for the year ended 31 March 2015

		2015 £'000	Recognised in:
	Original total recognised surpluses relating to the year	(1,054)	
i	SHPS deficit - Interest expense	(26)	Interest payable
i	SHPS deficit - remeasurements - impact of any change in assumptions	(32)	Other comprehensive income
i	SHPS deficit contributions - charged against provision	113	Operating expenditure
vi	TPF - restatement of net interest on DB scheme	(249)	Other finance costs
vi	TPF - restatement of current service cost & curtailments	(12)	Other operating expenditure
vi	TPF - restatement of actuarial loss in OCI	261	Other comprehensive income
vii	Movement in holiday pay accrual	0	Other operating expenditure
viii	Parent company additional recharge	174	Turnover
		229	
	Restated total comprehensive income for the year	**(825)**	

40. Ultimate parent undertakings and controlling party

The ultimate parent undertaking and controlling party is Thirteen Housing Group, a company limited by guarantee and a registered provider of social housing, incorporated in the UK.