thirteen

Managing and building homes

Annual Report and Financial Statements 2017/18

> At Thirteen, we promise a home for your life. We are a caring landlord and a housing developer, we are for anyone who needs a home and perhaps a little help to get it. We are about investing in neighbourhoods and making a major contribution to the Tees Valley.

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Chairman's Introduction

The 2017/18 financial year was another year of great change and progress for Thirteen, with yet more challenges from the external environment, particularly around compliance and health and safety.

After a great deal of work by everyone involved, group consolidation took place on 30 June, and this meant that from 1 July, we had one landlord for all of our tenants, making us much easier to do business with as well as releasing financial capacity to invest in our homes.

As part of this process we successfully recruited to the new Thirteen Board, appointing all board directors on the basis of their skills, knowledge and expertise, in line with our adopted code of governance.

Very soon after consolidation, Thirteen underwent its first in-depth assessment by the Homes and Communities Agency (now the Regulator of Social Housing). This is a regulatory process to assess our governance and financial viability and I am delighted that we retained our top level G1 and V1 regulatory judgement, confirming that governance and financial arrangements remained strong following the consolidation of the group.

Significant progress was made on the delivery of our strategic plan, which has been reviewed and strengthened to ensure the delivery of our mission and four strategic priorities, in particular ensuring that we get the basics right whilst continuing to grow and diversify the business.

Learning from customer feedback, we have introduced a new operating model, putting tenants and neighbourhoods at the heart of our business and enabling us to have a more visible presence, an even bigger impact in our communities and a greater tenants' voice.

The health and safety of our tenants is paramount and following the catastrophic Grenfell fire we took immediate steps to ensure that our buildings were structurally safe. This involved removing the cladding at our high-rise blocks at Kennedy Gardens, Billingham, and structural work in some of our other high-rise buildings.

Unfortunately, some blocks are not sustainable due to the investment required and we have contacted all affected tenants to assure them of our support in ensuring they can be relocated to another property of their choice. Alongside this, we are reviewing the outcomes of the Hackitt Review to understand what this means for us and any further actions we need to take.

It is testament to the work of all members of staff that Thirteen is in a strong position to cope with these challenges and I would like to thank all colleagues for the enthusiasm and commitment they continue to show. I am confident that through the delivery of our five-year strategic plan, we can continue to deliver the services our customers want and expect.

George Garlick
Chair of Thirteen Housing Group Limited

Strategic Report

Group Chief Executive's Statement

Last year was a period of transition and we made good progress meeting our financial targets and improving operational performance.

We continued to make improvements and deliver efficiencies through our focus on our strategic plan and management discipline. At the same time, we responded to feedback from tenants, customers and clients to act on their priorities and suggestions. We have also nurtured key relationships and established many new ones.

Through the year we consolidated the landlords that were part of the group to become one landlord as Thirteen, as well as reshaping many teams and dealing with high-rise issues, so we are pleased to see significant improvements in both satisfaction and repairs.

Financial Summary

Turnover for the year was £160m (2017: £165m) a decrease of 3.1%. This decrease was mainly due to a reduction in revenue from property sales and the impact of the statutory 1% rent reduction. We delivered a surplus for the year of £27.7m, despite some additional one-off costs through the year that we were able to manage. Our surplus was less than the previous year, largely due to impairment of £5.1m and restructuring costs of £3.9m. The overall adjusted operating margin (excluding the one-off costs mentioned above) was around 30%, which is in line with our peers in the sector. Our surplus is being reinvested into our existing homes and neighbourhoods, as well as into developing new properties.

Group Chief Executive's Statement

Thirteen's gearing, calculated as total loans as a percentage of total assets less current liabilities, was reduced from 30% to 24%, releasing capacity to build new homes, invest in existing properties and improve services.

Operational Performance

While we did not meet all the targets set by the board in delivering our strategic plan, overall we saw performance improvements including:

- Overall satisfaction improved to 84.6% - showing customers would recommend us
- The number of repairs completed right first time increased to 97.7%
- Voids reduced to 373, against a target of 375
- Tenancy turnover reduced from 11.3% to 10.8%
- Satisfaction with the quality of our homes increased from 87.5% to 90.2%
- Relet times reduced from an average of 65 days to 45 days
- Call waiting times reduced from an average of 59 seconds to 30 seconds
- Complaints response times improved from 8.3 days to 2.5 days
- The delivery of £27m of investment work to existing homes, including new windows and doors for more than 800 households, 1,728 new boilers, 467 new kitchens and 293 new bathrooms
- A gain of £2.7m of benefits for claimants
- A total of 529 people were helped with work, training and education
- £1.08m spent on home adaptions to help tenants remain in their homes

The targets in our strategic plan were set to be stretching, and we are making good progress on the updated financial and operational KPIs set in January 2018 by the board.

Tenants, Customers and Clients

We touch the lives of some 70,000 people. How we respond, treat and serve tenants, customers and clients is the lifeblood of Thirteen. We have significantly improved on delivering repairs right first time, which was the number one request from tenants. They also said they wanted a closer relationship with our teams, which is why we have introduced a new neighbourhood operating model. We know we have areas to improve on and these are firmly in our plans this year and next.

Legal and Safe

Undertaking the delivery of our services and projects legally and safely is always our first priority. We reacted quickly to remove aluminium composite panels that partially clad three high-rise blocks, undertook structure strengthening to two other blocks and made the decision to fit fire suppression to 13 high-rise blocks, as well as carrying out an independent review of property compliance.

Our People

Thirteen folk are passionate about what they do. They care about making a difference and are striving to improve all that we do. I want to echo George's thanks. It is a privilege to work with colleagues at Thirteen.

Looking Forward

We have a clear focus on our role in helping to address housing need and improving what we do for the people in our area. Our strategic plan 2018 – 2023, which was approved by the board in January 2018, is our guiding light to achieving this.

Ian Wardle
Group Chief Executive of Thirteen Housing Group Limited

Strategic Report

About Thirteen

At Thirteen, we promise a home for your life. We are a caring landlord and a housing developer, we are for anyone who needs a home and perhaps a little help to get it. We are about investing in neighbourhoods and making a major contribution to the Tees Valley.

We provide homes, support and opportunities to grow

One of the North East's leading providers of housing, care and support, Thirteen Housing Group Limited ('Thirteen') employs around 1,500 people and owns or manages just under 34,000 homes in an area spanning North Tyneside to York.

As a housing association, 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 services assist vulnerable clients with complex needs to face a range of challenges.

Thirteen is a community benefit society registered with the Financial Conduct Authority and a registered provider of social housing with the Regulator of Social Housing (RSH).

Our mission

We provide homes, support and opportunities to grow

Our vision

We are a caring landlord and housing developer. We're for anyone who needs a home and maybe a little help to get it. We're about investing in neighbourhoods and making a major contribution to the regeneration of Tees Valley.

Our priorities

1. Delivering a great customer service
2. Growing our business as a social entrepreneur
3. Contributing to regenerating the Tees Valley
4. Being Team Thirteen – high performing, collaborative and efficient

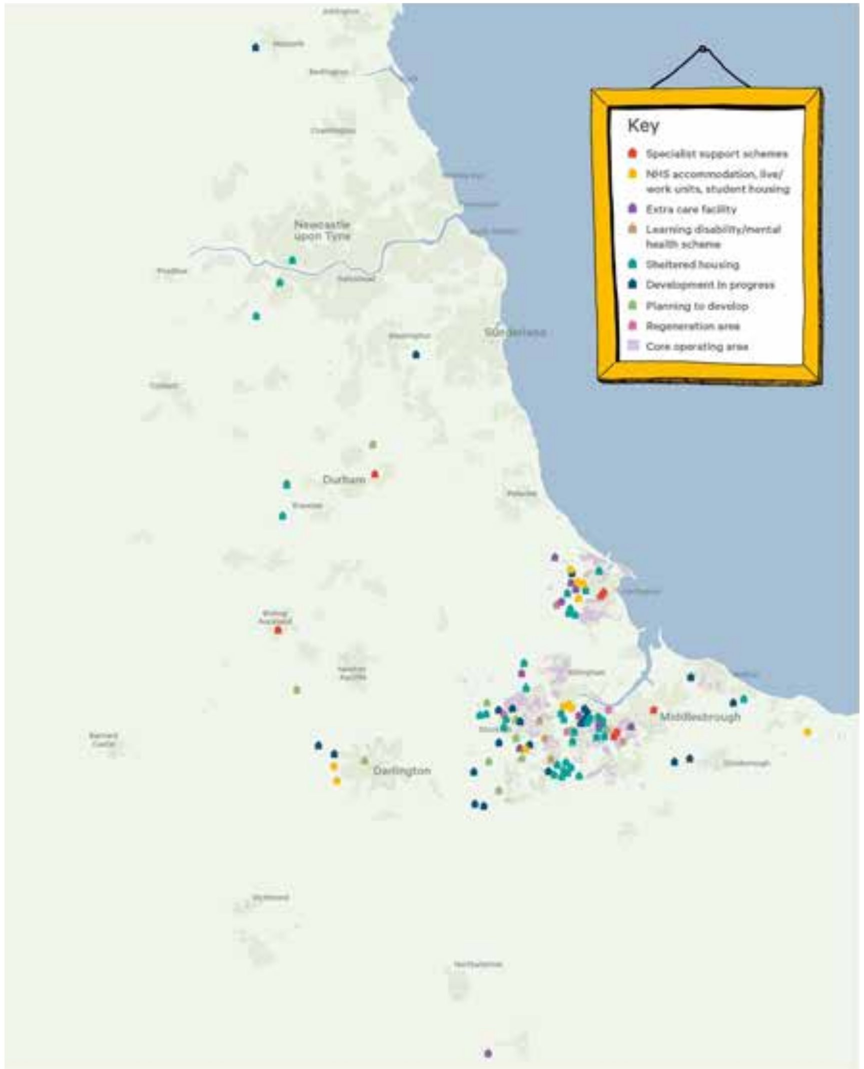
Our values

We are:

- **Considerate:** in our behaviour
- **Smart:** in the way we do things
- **Progressive:** we move things on

Our values demonstrate our commitment to continually improving services and customer satisfaction.

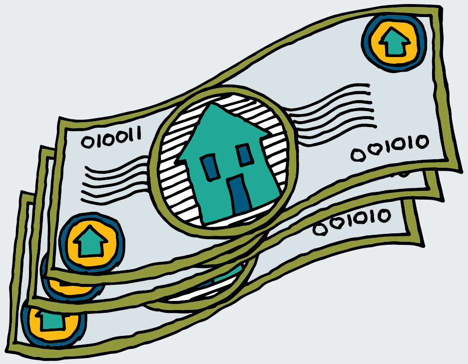
Our operating area



Strategic Report

Highlights of 2018

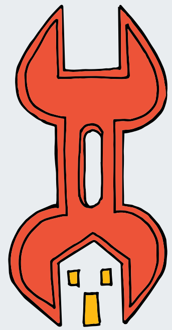
Turnover
£160m



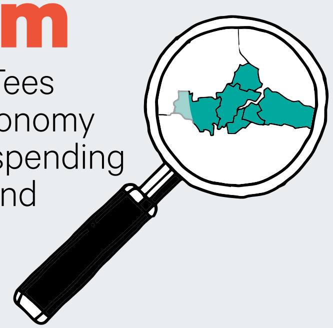
£29m
Spent on developing new homes

Asset base
£1bn

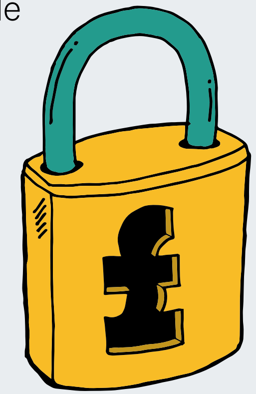
£29m
Spent on repairing and maintaining existing homes



£57m
into the Tees Valley economy through spending on staff and suppliers

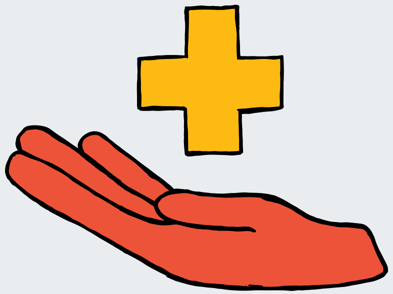


£6.6m
of cashable savings



100%
Gas safety compliance

Over 6,000
people benefitted from additional services



£34m
investing in improving existing homes and neighbourhoods


thirteen
Coffee
BEKO
BEKO
5kg

Strategic Report

Strategic plan and priorities

Strategic plan and priorities

Reflecting on 2018, we made great progress with our strategic priorities of:

- Delivering great customer service
- Growing our business as a social entrepreneur
- Contributing to regenerating the Tees Valley
- Being Team Thirteen: high performing, collaborative and efficient

Details of progress in delivering these objectives is described below, and over the next few pages, against the key action targets that we set out in our 2016/17 Value for Money self-assessment.

Priority One – Delivering Great Customer Service

Key Action	Progress
Improve customer satisfaction	We improved overall satisfaction with services by 2.5% to 84.6%. We started regular satisfaction testing of key areas. • For gas services, the overall satisfaction index remained high, with a result in March of 94.8%. • For repairs, the satisfaction index remained above 85.0% for the year and the result was 87.2% for March 2018.
Maintain gas compliance	We continued to be fully compliant, with 100% of landlord gas safety certificates in place.
Improve the number of repairs being completed right first time	We introduced a new IT system in September 2017 and along with improved ways of working, we made progress on two key indicators. For the month of March 2018: • Repairs completed right first time was 97.7% • The average time to complete a repair was quicker at 10.15 days
Reduce the number of void properties	By the end of the year the total number of empty properties had started to reduce and 373 standard portfolio properties were available to let against a year-end target of 375.
Reduce debt and increase income	Gross current debt at the end of quarter 4 (£7.1m) was higher than forecast earlier in the year (£6.5m). However by the following week the figure had reduced to £5.1m after payments made over the bank holidays and direct bank credits had been processed.
Deliver more routine services digitally	Our target for customers using the self-service portal was achieved and we are now in a procurement phase to implement digital approaches.
Clarity of our customer offer	Work started on our customer offer project and we consulted with customers in July 2018.

Strategic Report

Strategic plan and priorities

In addition the following improvements are worth noting:

1. Tenancy turnover for Thirteen's standard properties reduced from 11.3% to 10.8%
2. We increased satisfaction with the quality of home from 87.5% to 90.2%
3. We reduced relet times for standard properties from 65 days to 45 days
4. We reduced average call waiting times from 59 seconds to 30 seconds and maintained this progress into 2018/19, with an average times of 17 seconds in May
5. We improved complaints management with a centralised approach reducing the average response time from 8.3 days to 2.5 days and 100% within the target time of five working days
6. In terms of customer contact:
   - 511 formal estate walkabouts were completed, enabling us to engage with residents and identify, then rectify any issues.
   - 3,355 new tenants were contacted within 24 hours of starting their tenancy.
   - 5,886 tenants were visited within four weeks of starting their tenancy
   - 2,688 visits were made to customers in high-rise blocks about fire safety

Key actions for 2018/19

- Deliver phase two of the repairs improvement programme
- Deliver phase two of the debt and income project
- Deliver our operating model with neighbourhoods at the heart
- Deliver our digital blueprint for the benefit of the customer experience programme

Strategic plan and priorities

Priority Two – Growing our Business as a Social Entrepreneur

Key Action	Progress
Improve our financial return	The group consolidation and subsequent restructure of the loans portfolio reduced the overall cost of capital and released capacity to invest in new areas of business.
Be clear on social return	Social return has been included in the benefits analysis phase of each new project and we are making best use of the Housing Associations' Charitable Trust (HACT) social return model to assess the impact from ongoing pieces of work.
Deliver repairs efficiency leading to cashable savings	The property services improvement plan was implemented, leading to a reduction in the number of days to complete a repair, the average time taken and an increase in repairs completed on first visit.
Deliver voids efficiency leading to cashable savings	The repairs budget was 4.7% over budget as a result of higher than anticipated numbers, re-let times were above target and there was an increase in repairs expenditure. Reducing the overall number of empty properties and the time taken to let them is a key priority for 2018/19.
Have a plan in place to mitigate the impact of the changes in Local Housing Allowance (LHA)	LHA did not become the issue that we anticipated. We therefore concentrated our efforts effort on mitigating the impact of Universal Credit.
Prepare options for a different rent model	The initial investigation was completed but based on an analysis of risk and return, it was agreed not to proceed further.
Provide clarity on the way to access our support services	We have produced updated information packs that will support the access to all the different support services. In 2018/19 work is continuing on the branding of this service and to make the information more accessible to the appropriate client group.
Being open to merger opportunities	Thirteen approached three other organisations but did not proceed further.
Pursue stock acquisition opportunities	A bid was compiled to rationalise the portfolio within our core area but was unsuccessful.

In addition, the following improvements are worth noting:

1. Thirteen's New Directions programme provides support for people aged 15 to 29 to find work, training and education and works with young people to successfully match young people with jobs, apprenticeships, training and work placements. Last year:

- 527 people signed up to New Directions
- 321 people received an offer of employment, apprenticeship or training
- 309 people took up the offer of employment, apprenticeship or training

2. We reviewed and developed our working process for assessing properties that need an options appraisal, such as difficult to let or those requiring an investment of over £4,000. In the last year we disposed of 15 of these properties and a £150,000 surplus was achieved as a result of the sales.

Key actions for 2018/19

- Develop a flexible 'grow to own' product that allows customers to rent, part rent and also buy at any time on any home
- Flexible options for differing rent models as a result of de-registration
- Business growth
- Investigate the feasibility of combined heat and power, working with the bigger industries across the Tees Valley to provide subsidised heating to our tenants
- Supply chain maximisation

Priority Three – Contributing to Regenerating the Tees Valley

Key Action	Progress
Deliver affordable homes	In the year we achieved: • 295 on-site starts on affordable new build homes • 206 completed new build affordable homes
Secure sales on shared ownership and market for sale	The sales team is working within the Thirteen Homes subsidiary and is liaising closely with colleagues in marketing and communications to ensure branding and product awareness is promoted before new sales schemes being brought to market. Sales on the Chancel Meadows development at Whitby are progressing in line with expectations, albeit behind budget/forecast due to issues relating to build and handover from the developer/contractor.
Deliver planned investment efficiently based on our stock condition survey	We delivered £27m of major work and improvements, including: • 1,728 boilers installed • 959 windows installed • 159 doors installed • 236 roofs installed • 293 bathrooms installed • 467 kitchens installed
Remove Category 4 and 5 properties from our stock	The in-house sustainability model was completed and we are now looking at individual properties through the active asset management process, to remove appropriate properties.
Complete an options appraisal on our stock outside of the Tees Valley	A detailed analysis of the portfolio was completed and we are considering how to respond to challenges raised within the report.
Put in place plans for investment or disinvestment in our high-rise properties	This was completed and we agreed our approach to the management and maintenance of five of our high-rise blocks.
Prepare options to move homes up a category based on our stock sustainability model	The sustainability model was completed and we are now looking at individual properties through the active asset management process, to move appropriate properties up a category.

Strategic plan and priorities

Priority Three – Contributing to Regenerating the Tees Valley (continued)

Key Action	Progress
Agree a standard for the quality of a Thirteen home	The homes standard project is underway, considering the threshold standard including 'kerb-appeal' and communal areas. This is due to be completed in October 2018.
Implement an agreed standard for street cleaning and public realm improvements	Environmental improvement schemes were delivered in some areas and some activities are still in progress.
Agree our estate investment programme	Architect development plans for new house types are underway and we now have an in-house architect. The design team took initial plans and upgraded them following consultation with staff and customers. The team is including not just the property but the overall estate environment in its review.
Agree and develop our new Thirteen Homes portfolio	The intergroup lending facility was agreed and funding put in place.
Investment in community development within regeneration areas:	
a) North Ormesby, Middlesbrough	20 empty properties were purchased and are either occupied or in the process of being refurbished. In addition, we supported the Community Land Trust at North Ormesby to purchase and refurbish six empty properties.
b) Grove Hill, Middlesbrough	Approximately £0.5m is still available within the joint venture and a review of how to invest this is being carried out by the Middlesbrough Delivery Board. Since 2013, we have built 90 new affordable homes for rent and a further 92 are currently on site at Bishopton Road, with a target completion date of mid-2020. Middlesbrough Council has recently confirmed it no longer needs the remaining cleared site for a school so we are considering options for the site.
c) Victoria, Stockton	Stockton Borough Council is currently out to tender for a Joint Venture partner and we will provide the affordable homes from June 2019. We continued to support Stockton and District Advice and Information Service to decant Elm House to enable strip out and demolition.

Priority Three – Contributing to Regenerating the Tees Valley (continued)

Key Action	Progress
d) South Bank, Redcar and Cleveland	In September 2017 the Estate Regeneration Fund (ERF) was used to commission a review of the existing South Bank masterplan and the social economic infrastructure. This work is ongoing and will be completed in autumn 2018.
e) Older housing areas in Hartlepool	Hartlepool Borough Council recently held a workshop to consider older stock at Oxford Road and we are meeting with the council to discuss opportunities.

In addition, the following improvements are worth noting:

1. We implemented a new procurement framework with Prosper (formerly North East Procurement) to help reduce costs and increase value for money in the investment programme.

2. We continue to work to identify people at risk of homelessness:
    - 449 people/families have been prevented from becoming homeless
    - 669 referrals have been made to the Key Step homeless project
    - 11 formal homeless cases have been dealt with
    - 1,458 advice cases have been handled
    - 81 people have been helped from supported accommodation into a home

3. We developed and published new neighbourhood plans, and, there has been focused activity to promote the excellent work ongoing within the neighbourhoods, with updated information and impact reports presented to local authorities and counsellors to explain the changes to the neighbourhood model and the achievements so far.

    Neighbourhood staff have regular meetings with their local counsellors, attend multidisciplinary meetings with partners and are active in partnership working, an example of which saw a neighbourhood in Middlesbrough focus a group of partners to work together to address the anti-social incidents, which resulted in a vast improvement in the look and feel of the area and the installation of a camera improving safety for the residents in the area.

4. We developed and delivered a new operating model that puts neighbourhoods at the heart of our business.

5. There have been ongoing enhancements to the sustainability model SM@RT and it is now available on mobile devices and is incorporated into a dashboard that can be accessed by the leadership team and managers.

Key Actions for 2018/19

- Deliver our Asset Management Strategy
- Deliver our Development and Regeneration Strategy
- Prepare options to undertake street cleaning in some patches to ensure residents have a high quality environment

Priority Four – Being Team Thirteen

Key Action	Progress
Being legal and safe	We continue to have an appropriate suite of performance measures, such as gas and fire safety, that are scrutinised by the board. We carried out self-assessments against the regulatory standards and these were scrutinised and signed off by the board. The self-assessment on compliance with all legislation was agreed by the board. We had a full in-depth assessment and maintained a G1 and V1 rating for governance and financial viability. We established a specific team responsible for cyber security and introduced a management solution to help us better understand the threats. We compiled a data mapping tool to help us prepare for GDPR. We reviewed and improved our disaster recovery plan.
Improve our staff promoter score	A recent survey of staff across Thirteen has resulted in an average of 7.6, when they were asked if they would recommend Thirteen as a place to work. This was from a response rate of 79%. The previous score was 7.7 but this was from a lower response rate of 56%.
Reduce colleague sickness	Despite an overall reduction, the target for absence in 2017/18 was not achieved with 3.5% against a target of 3.4%; however measures put in place within the year appear to be having a positive impact.
Ensure the boards and colleagues have the right ICT equipment and systems to improve efficiency and productivity	The board now has access to digital packs, increasing efficiency and improving access to information. We introduced tablets to enable us to work more effectively within the digital environment.
Ensure routine processes are e-enabled	As part of any process review, e-enablement is always considered and implemented where possible and appropriate. Work to review systems and processes is ongoing.

Strategic plan and priorities

Priority Four – Being Team Thirteen (continued)

Key Action	Progress
Deliver a continuous value for money (VFM) programme	We continue to review our approach to VFM building on the successes to date ensuring everyone across the organisation understands the cost of what we do, the value of the services that we offer, in addition to providing clarity on how we can deliver services in a more commercial way to drive improvements and savings for re-investment. Specific work is looking at the major repairs cost per property, which is higher than the northern median, and we have already seen an improvement this year.
Deliver the reshape to ensure we have sufficient capacity and skills	This was completed within budget.

Key actions for 2018/19

- Implement the organisational development programme
- Deliver the reshape
- Start year one of the five year project on process and systems review
- Deliver year one outputs from the five year VFM project

Specific service improvement activity also planned for 2018/19:

- Align the complaints and claims process to improve learning
- Review our engagement framework so we can engage with more customers and take advantage of new technology
- Make better use of ICT for boards
- Build on the work carried out in advance of the new directive GDPR
- Review the learning and development plan for the board
- Better understand our costs per unit in general and specifically for major repairs
- Make best use of the opportunities and savings offered by our review of office accommodation and access channels
- Make best use of the opportunities and savings offered by the digital lettings project
- Review overheads based on the results of the 2017/18 Housemark costs and performance benchmarking report and have a clear plan to reach top quartile in specific service areas
- Reduce recruitment costs by looking at how we might make savings through a procurement portal and framework and make efficiency savings when we roll out annual leave and expenses onto our digital system
- Streamline the recruitment and leavers process and deliver efficiency savings

As mentioned at the start of this section, the progress set out above has been set against the actions and targets that were set for 2017/18 within our annual VFM self-assessment 2017.

Progress against the financial efficiency targets that were also set within the same self-assessment are provided on page 25 of the VFM section of this report.

Financial Review

Consolidated financial results: four year summary

Statement of Comprehensive Income (£'000)	2018	2017	2016	2015 restated*
Turnover	159,827	164,989	163,964	157,870
Operating costs and cost of sales	(120,871)	(115,438)	(132,800)	(124,033)
Operating surplus	38,956	49,551	31,164	33,837
Net interest charge	(11,438)	(12,060)	(11,871)	(12,397)
Gain/(loss) on disposal of assets	1,951	1,372	583	(362)
Other finance (costs)/income	(988)	(1,343)	(1,272)	(1,145)
Change in valuation of investment properties	(823)	-	-	-
Taxation	1	-	1	(1)
Surplus for the year	**27,659**	**37,520**	**18,605**	**19,932**

Statement of Financial Position (£'000)	2018	2017	2016	2015 restated*
Housing properties	959,486	951,679	931,548	920,050
Other fixed assets	48,375	51,221	51,251	46,794
Total fixed assets	**1,007,861**	**1,002,900**	**982,799**	**966,844**
Net current assets	(2,068)	17,172	37,244	25,389
Total assets less current liabilities	**1,005,793**	**1,020,072**	**1,020,043**	**992,233**
Creditors: amounts falling due after more than one year	(241,398)	(287,004)	(330,197)	(328,563)
Deferred capital grants	(112,406)	(111,213)	(107,347)	(101,990)
Pensions liability	(49,737)	(44,008)	(45,276)	(45,266)
Total net assets	**602,252**	**577,847**	**537,223**	**516,414**
Minority interest	-	12	12	12
Revaluation reserve	284,711	294,489	299,367	304,978
Restricted reserve	7,315	441	350	292
Revenue reserve	310,226	282,905	237,494	211,132
Capital and reserves	**602,252**	**577,847**	**537,223**	**516,414**

Asset data	2018	2017	2016	2015
Social housing stock owned at year end (no.)	32,150	32,563	32,688	32,568
Non-social housing and other property types (no.)	3,917	3,909	3,908	3,373
Average existing use value (EUV-SH) per unit (£)	25,090	24,586	24,296	22,394

Financial review

Our consolidated statement of comprehensive income for the year ended 31 March 2018 is shown on page 51 of the financial statements, and our consolidated statement of financial position as at 31 March 2018 is shown on page 55.

The group generated a surplus of £27.7m (2017: £37.5m) and we continue to operate in an increasingly challenging environment from both an economic and regulatory perspective. As a response to the requirement to reduce rents by 1% per year for five years, we set challenging efficiency targets which continued to be delivered in 2017/18 while also absorbing a number of additional costs, as predicted in the forecast reports to the board. We have accounted for an impairment adjustment relating to some of our high-rise blocks of £5.1m and one-off restructuring costs of £3.9m.

We were pleased to retain our top tier G1 and V1 ratings for governance and financial viability following a thorough in-depth assessment by the Regulator of Social Housing. This judgement offers reassurance to us, customers and stakeholders that our activities are underpinned by sound financial management and a robust approach to risk management, business planning and stress testing and confirms that we have the financial capacity to bear a wide range of adverse scenarios.

Accounting policies

Our principal accounting policies are set out in note 2 to the financial statements on pages 57 to 65. The policies 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

We participate 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 for former employees of Thirteen Care and Support. 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, also a defined benefit scheme, is through additional voluntary contributions (AVCs) only. We contributed to each scheme in accordance with the levels set by the scheme actuaries and our contribution rate varied between 4.0% and 17.9%.

Details of the actuarial assumptions used for all schemes are shown in note 28.

Housing properties

At 31 March 2018, we owned 32,150 and managed a further 840 social housing properties (2017: 32,563 owned and 879 managed).

Housing properties are stated at cost. At 31 March 2018, the carrying value of housing properties was £959.5m (2017: £951.7m).

Completed housing properties are valued for loan security purposes and the estimated value of secured and unsecured properties is £1,002.7m (2017: £1,009.5m).

An impairment review is carried out annually, where the potential for impairment loss is considered against a number of indicators. The review for 2018 determined that 346 properties in five high-rise blocks met indicator five, which is ‘obsolete properties and components’ and a further five properties met indicator three; ‘areas of low demand’. Due to this, an impairment adjustment of £4.4m (2017: £nil) was made on these properties. A further impairment adjustment was applied to other tangible fixed assets of £0.7m (2017: £nil) relating to plant and equipment housed in these high-rise blocks.

Our investment in housing properties this financial year was funded by a mix of social housing grant, loan finance and internally created cash surpluses. Our treasury management arrangements are described on page 22.

Other freehold land and buildings

Other freehold land and buildings including garages, commercial properties and office buildings owned by the group, take our total assets under management to just under 34,000.

There were no impairment adjustments during the financial year (2017: £0.3m).

Financial Review

Cash flows

Cash inflows and outflows during the financial year are shown in the consolidated statement of cash flows on page 56 of the financial statements.

We generated a cash inflow from operating activities of £60.5m (2017: inflow £72.7m). The cash inflow in the financial year was funded mainly by operating activities, social housing grant of £2.9m (2017: £5.2m) and property sales of £6.8m (2017: £5.3m). After repayment of borrowings of £44.4m (2017: £45.7m) and interest paid £13.1m (2017: £13.3m), there was a net decrease in cash of £23.9m (2017: decrease of £19.7m).

Payment of creditors

Thirteen processes and pays supplier invoices on behalf of the Thirteen group of companies. Our 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 34 days from the date of the invoice (2017: 38 days). Performance has improved significantly during the year and we are continuing to work with suppliers to get invoices received and processed even quicker.

Reserves

The movement in the group's reserves in the year is shown in the group statement of changes in reserves on page 53 of the financial statements.

After the transfer of the surplus for the financial year of £27.7m (2017: £37.5m) at the financial year end, the group's reserves amounted to £602.3m (2017: £577.8m), including a revaluation surplus on housing properties of £284.7m (2017: £294.5m). This level of reserves allows us to continually reinvest in our homes and neighbourhoods.

Capital structure and treasury policy

Our treasury strategy was updated in June 2018 and gives strategic direction for the group in relation to treasury activities.

The strategy has an overarching objective to ensure we have sufficient liquidity and finance in place, and that the key risks of interest rates and counterparty risk are monitored and managed effectively.

The consolidation of the Thirteen Group took place on 30 June 2017 where Erimus Housing, Housing Hartlepool, Tees Valley Housing, Tristar Homes and Thirteen Care and Support consolidated into the Thirteen Housing Group under a transfer of engagements.

Thirteen Homes (formerly Portico Homes), Thirteen Commercial Services (formerly Partnering Plus) and Thirteen Property Development (formerly Optimus Homes) transferred to join Thirteen Social Enterprises Limited (formerly Vela Homes Limited) as subsidiaries of Thirteen.

The loan facilities of the individual landlords were transferred into Thirteen and new facility agreements entered into to reflect this change. This includes the loan covenants and repayment profiles which reflect the new arrangements.

The group has loan facilities in place of £364.5m at 31 March 2018 of which £120.7m is undrawn. All the undrawn loans are fully secured and capable of being drawn.

Our financial plan shows that the undrawn loan facilities are sufficient to finance the group's activities until March 2024, when £100m of revolving credit facility bullet loans require repayment.

We have 10,643 properties not charged to any lender, which would support over £324.2m loans. Our 'golden rule' financial measures, which are defined on page 40, are used to estimate financial capacity. At 31 March 2018 this financial capacity was estimated at £186.8m, which could support the development of an additional 2,100 properties on top of the 2,842 currently planned over the next seven years.

Loan margins on the majority of the debt are at, or well below, the current market.

All the financial covenants are currently being met and are forecast to be capable of being met.

We repaid £44.4m during the financial year (2017: repaid £45.7m) after funding of new property developments and investment in existing property. At the financial year end group borrowings amounted to £243.8m (2017: £288.3m), of which £3.9m (2017: £2.3m) is due to be paid within the next financial year as shown below:

Maturity	2018 £ million	2017 £ million
Within one year or on demand	3.9	2.3
Between one and two years	2.3	11.3
Between two and five years	5.5	53.2
After five years	232.1	221.5
	243.8	**288.3**

Financial Review

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 has adopted a policy of maintaining a balance between variable rate and fixed rate loans. At the financial year end 75% (2017: 65%) of our borrowing was at fixed rates. The fixed rates of interest, including the margin, ranged from 3.63% to 11.77% (2017: 4.6% to 11.77%) which compared to the current market, where at the year-end comparable fixed rates were 3.6% (2017: 3.4%).

The group's borrowings are undertaken directly by Thirteen Housing Group.

Thirteen's gearing, calculated as total loans as a percentage of total assets less current liabilities, was reduced to 24% as at 31 March 2018 (2017: 30%). Gearing is expected to fall over the next 12 months with further loans able to be repaid from operating cash flow. Finance for new developments would also come from the revenue surplus and capital grants.

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 Thirteen Group demonstrates that the group expects to be compliant for the foreseeable future.

As part of the consolidation exercise, Thirteen negotiated the ability to lend up to £25m to other members of the group. A facility agreement has been drawn up between Thirteen and Thirteen Homes, but there had been no loans made under this agreement at 31 March 2018.

The group had balances of cash and cash equivalents of £7.4m at 31 March 2018 (2017: £31.4m) and the current ratio stood at 0.9 (2017: 1.5). The group monitored cash flow forecasts closely to ensure that sufficient funds were available to meet liabilities when they fall due, while not incurring unnecessary finance costs, by only drawing on loan facilities when required and utilising cash generated to reduce loan borrowing.

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 to deliver 2,842 new properties over the next seven years, at a total cost of £269.2m. This investment will be funded from new borrowings, social housing grant from Homes England along with internally generated surplus. Undrawn loan facilities of £120.7m are available under existing arrangements.

Thirteen's surveyors continue to undertake stock condition surveys of our housing stock on a rolling programme. In June 2016, Savills was engaged to complete a 15% sample of our stock to help us better understand our cost liabilities regarding capital repair and maintenance expenditure over the next 30 years.

The data from both sources has been used to inform Thirteen's 30 year capital investment programme. We plan to invest £36.2m in our major repairs programme during the 2019 financial year, of which £14.6m will be capital expenditure.

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

Value for money

Thirteen continues to be committed to ensuring the best future returns on assets, good practice and procurement methods to deliver quality goods and services whilst having a clear goal to enable a positive impact on our customers and communities. Value for money (VFM) has been consistently reviewed both from an internal point of view for Thirteen to understand its cost per unit and to identify and measure efficiencies, and from an external perspective to comply with regulatory requirements and also to understand costs and operations against other housing organisations.

Change in regulatory requirements

To date there has been a requirement from the Regulator of Social Housing (RSH) to complete an organisational VFM self-assessment. Thirteen has always complied with this and the results on pages 24 to 33 demonstrate the updates against the self-assessment 2016/17.

More recently the RSH carried out a consultation that ended in December 2017, which suggested that in the future, the VFM measurements would include a set of metrics that each organisation would report on. Following this, a letter from RSH[1] on 9 March 2018 announced the new VFM standard, including a set of metrics and any additional performance targets identified by the organisation, would come into play on 1 April 2018.

[1] *RSH is the new name for the regulatory functions that sit under the HCA. Although legislative agreement is pending to confirm the RSH as a standalone body, the RSH is recognised as part of the HCA leading on regulation functions and going forward VFM reporting will be governed by them

Value for Money

Thirteen's strategic VFM project focuses on how to meet these new obligations and ensure reporting mechanisms can satisfy these.

VFM strategic approach

Our strategic plan 2018 – 2023 states the impact requirement for the VFM project as:

Understand the cost of what we do. Clarity on how we can deliver services in a more commercial way to drive improvements and savings.

Having delivered the efficiency targets set as a result of the rent reduction, and with an ongoing commitment to economy and effectiveness in addition to efficiency, we have reviewed our approach to date, which we recognise has been successful but could be embedded further within the organisation.

To make sure VFM is a core consideration in everything Thirteen provides, this will be a focus for training in 2018/19, alongside making it a fundamental part of the induction process. This will ensure it is embedded as 'business as usual' to ensure it remains integral to all decision-making.

Understanding our cost base is important, not only for our own investment decision-making processes, but also as an indicator to key stakeholders (the RSH and our funders) that we are operating a financially viable business and to understand how we are performing against our peers. Thirteen's approach to performance management benchmarking and scrutiny is detailed in the following paragraphs which highlight our financial performance benchmarked with the Sector Global Accounts and operational performance compared with Housemark's National Benchmarking Club. We also utilise a sector scorecard and are active in comparing our performance, which helps to guide where focus on activities and performance can be targeted.

In 2017/18 there were cashable savings of almost £6.6m. These savings primarily relate to property services savings and restructuring of the loan facilities as is set out in the table opposite:

Value for Money

In addition to the targets set in the 2016/17 self-assessment we have also delivered efficiencies in the following areas;

Efficiency	2017/18 target £000's	Outcome	Comments
Fleet review	103.2	Not achieved	The review highlighted the need for additional vehicles to improve services. Savings were achieved in other areas of the property services directorate to more than offset these additional costs as can be seen below.
Out of hours reduction in call out costs	208.2	Delivered in part	Due to the changes being made part way through the year we only secured £99.5k against the target set.
Group consolidation and refinancing of the loan facilities	656.0	Exceeded	A total of almost £1.6m has been delivered as a result of the refinancing carried out as part of the group consolidation in 2017.

Efficiency	£000's
Efficiencies achieved against the targets set in 2016/17 (from above)	1,667.9
Staff savings from the introduction of the new operating model	919.5
Development team restructure	268.8
Back office savings (staff and systems) following the group consolidation	1228.2
Efficiencies created as a result of the revised governance (board) structure	66.7
Efficiencies delivered following a review of office accommodation	854.9
Savings delivered within property services as a result of staffing restructures and more efficient use of subcontractors	1,087.0
Other efficiencies including a review of service charge income and consultancy fees	468.9
Total	**6,561.9**

Strategic Report

Value for Money

As early adopters of the sector scorecard, we routinely report our position when compared to the sector as a whole, and against our peers, to the board using the data to help improve our performance but also to inform investment decisions.

We also 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.

The section below provides an overview of how we have performed against the sector as a whole, in addition to our benchmarking peer group.

Business Health

Sector scorecard indicator	Thirteen 2018	Thirteen 2017	Sector Average 2017
Operating Margin – Overall (Adjusted) *	30.0%	30.0%	30.0%
Operating Margin – Overall	24.4%	30.0%	30.0%
Operating Margin - Social Housing Lettings	29.1%	34.0%	34.0%
EBITDA MRI interest cover	341.8%	417.2%	170.0%

* - Adjusted for exceptional costs in 2018 (restructuring costs and impairment of housing properties)

Increased operating costs have resulted in a reduction in operating margin over previous years, including the one-off costs mentioned earlier, relating to the restructuring of the Thirteen Group, impairment costs arising from the decision to decommission five high-rise properties and increases in management and maintenance costs. However when excluding the one-off costs relating to restructuring and impairment, the adjusted operating margin is in line with the sector median of 30%.

EBITDA MRI interest cover is a key measure of liquidity and investment capacity. The reduced operating surplus has had an adverse impact on this indicator, however the merger of the former landlords into Thirteen enabled the group to restructure its loans and repay capital, resulting in a reduced interest charge in the year. Continuing low interest rates and levels of debt contribute to a favourable interest cover percentage in relation to sector averages, along with a reduction in debt per unit.

[1] *RSH is the new name for the regulatory functions that sit under the HCA. Although legislative agreement is pending to confirm the RSH as a standalone body, the RSH is recognised as part of the HCA leading on regulation functions and going forward VFM reporting will be governed by them

Value for Money

Development (Capacity and Supply)

Sector scorecard indicator	Thirteen 2018	Thirteen 2017	Sector Average 2017
New supply delivered-social housing units	188	248	n/a
New supply delivered-social housing %	0.6%	0.7%	1.5%
Gearing	24.8%	30.4%	50.0%

We spent £29m developing new homes during the year. In addition to delivering 188 social housing units, we completed 32 non-social housing properties and had a further 701 properties in development at the year-end. This is lower than average; however in the 2018-19 year, we plan to build more than 400 homes, with more than 280 being for rent.

Gearing continues to be below the sector median with a further reduction over 2017 levels through the repayment of loan balances following the consolidation of Thirteen Housing Group. This gives the group increased capacity to invest in new and existing homes, as well as improving services, as mentioned previously.

Outcomes Delivered

Sector scorecard indicator	Thirteen 2018	Thirteen 2017	Sector Average 2017
Customer satisfaction	84.6%	82.1%	87.1%
Reinvestment %	4.1%	4.8%	5.8%
Investment in communities	1.5%	0.2%	Unavailable

The customer satisfaction benchmark measures overall satisfaction with Thirteen. The results continue to be used to inform and support the projects within the strategic plan. We continue to focus on three priorities for improvement; the speed of repairs, the availability and ease of contacting staff and listening to tenants. A weekly survey of repairs and maintenance produces scores of over nine out of ten suggesting an overall improvement in all aspects of the service.

As well as spending £29m on new homes, the group capitalised £13.6m of major repairs, further adding to the value of our asset base.

Amounts invested in our communities include employability schemes and money advice. These additional services benefited more than 6,000 people during the year.

The social value calculations below provide a snapshot of the added value we create from our everyday activities and some of the great work that has been done to help our customers and neighbourhoods:

- Over **6,500** people have benefited from help from services we provide over and above our usual landlord functions.
- We invested over **£1 million** into initiatives which directly helped customers and communities and funded over **100** projects.
- Our money advice services put more than **£2.7 million** straight back into the pockets of residents.
- We have secured additional funding of around **£0.15 million** via our contracts with Travis Perkins and Prosper.
- The total social value recorded through HACT in 2017/18 was worth over **£5.3 million**.
- We put almost **£57 million** into the Tees Valley economy through our spending on staff and suppliers, an increase of around **£9 million** on last year.

Effective Asset Management

Sector scorecard indicator	Thirteen 2018	Thirteen 2017	Sector Average 2017
Return on capital employed	4.0%	4.9%	3.7%
Occupancy level %	98.6%	98.9%	99.4%
Ratio of responsive repairs to planned maintenance	0.59	0.58	0.69

We appreciate the importance of effective asset management to ensure our properties generate a financial, social and environmental return. Strategic asset management focuses on the profile of our portfolio and uses a sustainability model to inform decisions about the viability of our assets. Operationally we prioritise maintaining properties to a high standard and effectively managing tenancies and voids to maximise occupancy levels and income.

Strategic asset management

Our in-house sustainability model has been further developed to enable us to understand the performance of all our assets using information on the financial performance of our assets, along with socio-economic data, which allows us to take a holistic view of the performance of our housing stock. It also enables scenario modelling through the interrogation of key data inputs including housing management costs, repair costs and investment costs or void and bad debt rates. Outputs from the model include NPV, a sustainability score from 1-5 and a sustainability category.

The headline figures for current sustainability categories for Thirteen's stock falls into the following categories (range = category 1 (good) to category 5 (poor)):

Category	2018 % of stock	2018 Number of properties	2017 % of stock	2017 Number of properties
Category 1 'star performers'	34.7%	10,891	1.4%	449
Category 2	53.1%	16,669	16.7%	5,358
Category 3	5.7%	1,785	70.1%	22,456
Category 4	2.3%	735	8.7%	2,791
Category 5 liabilities	4.2%	1,305	3.2%	1,027

We have seen an increase in sustainable stock (categories 1-3) from 88.2% to 93.5% and a reduction in poorly performing stock (category 4 or 5) to 6.5%, with the majority of our general needs housing stock now assessed as category 2 (highly sustainable). These results inform a process jointly owned by the asset and neighbourhoods teams that implements and monitors interventions to reverse poor performance related to such issues as high void rate, bad debt, underlying property or repairs issues. Category 5 assets are of particular concern, as they are not performing either on a financial or a social level and may require future option appraisal and consideration given to alternative use, or disposal, to ensure a sustainable return for the group and its stakeholders.

It should be noted that 784 of the 1,305 category 5 assets relate to a recent decision to review our high-rise buildings following consultation with the tenants and residents.

Excluding these high-rises assets, we have seen a reduction in the category 5 assets as a result of our continued programme of option appraisals with plans to reduce this number further either through re-provision or disposal as appropriate.

Maintaining our properties

We aim to invest in our properties and maintain a ratio of responsive to planned repairs that is more heavily weighted to planned repairs. That said, we spent around £29m during the year on repairs and maintenance and closely monitor our performance when delivering this service, using Housemark to compare our performance to our peers.

Value for Money

Housemark Indicators Property Maintenance	Thirteen 2018	Thirteen 2017	Sector Average 2017
Average number of calendar days to complete repairs (days) figure	10.15	12.6	9.7[2]
Satisfaction with repairs and maintenance (%)	79.10%	75.7%	81.60%
Satisfaction with quality of home (%)	92.10%	88.9%	86.52%
Average energy efficiency rating (SAP rate)	70.8	70.5	70.6

By the end of the financial year, the average time taken to complete a repair was 10.15 days. We continue to focus on reducing the number of emergency repairs being carried out and figures for the first quarter of 2018 suggest that numbers are reducing. In the year we worked to a more appropriate measure for repairs completed right first time and in March 2018 this was 97.7%.

Continued investment in our properties ensure that their value is maintained. The table following shows the average 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	2018 Outturn	2017 Outturn	2017 Benchmark[3]
Thirteen Group consolidated	25,090	24,586	2.1%

As can be seen from the table above, the value of our housing properties has increased over the past year by 2.1%, despite the sector being one year further into the four-year rent reduction policy ending in 2020.

Tenancy management

Housemark Indicators Tenancy Management	2018 Outturn	2017 Outturn	2017 Benchmark[3]
Tenancy Turnover (%)[4]. All properties	11.54%	11.59%	8.51%
Tenancy Turnover (%). Standard Portfolio	11.28%	10.82%	N/A[5]

Tenancy turnover reduced slightly within the year. The reduction was helped by a number of local neighbourhood interventions including a 'support to stay' programme targeted at vulnerable households. The Neighbourhoods team has been challenged to reduce overall terminations in 2018 and has started work on a toolkit that aims to help tenants remain in their homes for as long as possible.

[2] Housemark 2017 benchmark of Northern Housing Associations over 10,000 properties. Median quartile result.
[3] Housemark. 2016 benchmark of Northern Housing Associations over 10,000 properties. Median
[4] Tenancy Turnover for all properties.
[5] There is no direct comparison for the performance measure.

Empty properties

Keeping properties occupied is essential for them to generate a financial return. We measure the percentage of empty properties and the time taken to re-let against our peers as demonstrated in the table below.

Housemark Indicators Empty Properties	2018 Outturn	2017 Benchmark	2017 Outturn
Properties empty and available to let (% of total stock)	1.66%	0.76%	1.18%
Average relet time in days (all relets excluding time spent on repairs work)[6]	40.07[7]	30.34	40.43

Despite the fact that we achieved target for the number of standard properties empty for the year end (373/375), the number increased in-year.

We implemented changes to the way we manage empty properties and the re-let time reduced to 40.07 days for all standard relets (the benchmark figure).

Recognising that there is more to do to take us to upper quartile in relation to the number of empty homes that we hold at any one time; we have launched a specific project that will implement a new standard for relets and test out different ways of marketing, allocating, repairing and managing properties.

We are also reviewing our approach to neighbourhood and environmental management to improve our standards and increase resources where needed.

Work on our sustainability model continued and identified poorly performing housing assets and recent board decisions have shown a willingness to remove stock from the current portfolio, or redesign it for alternative management uses.

We are developing a long term regeneration plan that will highlight areas that require more intensive interventions. This will include demolitions and new build options so we can create more sustainable places and diversify our housing offer.

Operating Efficiencies

Sector scorecard indicator	Thirteen 2018	Thirteen 2017	Sector Average 2017
Headline social housing cost per unit	£3,073	£3,065	£3,698
Management cost per unit	£600	£504	£943
Service charge cost per unit	£308	£303	£551
Maintenance cost per unit	£898	£855	£991
Major repairs cost per unit	£1,047	£1,096	£747
Other social housing cost per unit	£221	£307	£466
Rent collected as a % of rent due (general needs)	99.1%	99.4%	99.8%
Overheads as a % of turnover	6.4%	6.7%	11.0%

[6] Using the Housemark/ Core return definition, i.e. all properties less those requiring major repairs.
[7] April 2017-December 2017 figure. Housemark Standard Properties

Value for Money

Headline social housing costs have increased marginally by 0.7% over 2017 levels, with performance continuing to remain in the most favourable area for the sector, lower quartile.

Our management cost per unit of £600 and maintenance cost per unit of £898 are higher than in 2017 due to a number of factors including:

- the impact of inflation and statutory costs such as the apprentice levy and regulatory fees
- unforeseen fire safety costs in response to the Grenfell Tower disaster
- ongoing investment in frontline service delivery

An increase in unit costs was anticipated through the budget setting process, with actual maintenance costs delivered lower than budgeted levels. Both management and maintenance costs remain below the global benchmark.

Major repair costs per unit reduced to £1,060 over the previous year with further cost efficiencies achieved, and lower levels of works planned and completed. Additional, unbudgeted costs were incurred in response to the Grenfell Tower disaster; these costs being absorbed through the identification of efficiency savings and deferment of work pending agreement of the long-term strategy for high-rise properties. The major repair programme delivered the following component replacements, in addition to structural and environmental works:

- 393 bathrooms
- 384 kitchens
- 751 windows
- 224 roofs
- 1,143 heating upgrades
- 395 electrical upgrades

Rent arrears

Housemark Indicator Rent arrears	2018 Outturn	2017 Outturn	2017 Benchmark
Rent arrears of current tenants net of unpaid Housing Benefit as a percentage of rent due (excluding voids)	3.31%	3.34%	3.10%

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 and the most appropriate measure takes into account anticipated housing benefits payments.

The continuing impact of welfare reform and wider austerity has seen tenants experiencing difficulties in maintaining clear rent accounts and the group pursuing outstanding debt. Despite this, during the final quarter of the financial year, arrears were beginning to reduce.

We had already put extra resource into Universal Credit using the learning from Hartlepool being the first on Digital Universal Credit in 2017, and will be rolling this out as Middlesbrough and Stockton come on line.

The implementation of the new operating model, which will see an increase in face to face contact, supported by an increased shift to more customers and tenants using on line services in the next 12 months will help to reduce the level of arrears. Further initiatives to reduce the current level of arrears are set out in the next section.

Efficiency targets for 2018/19

We have set a range of performance and efficiency targets for the next 5 years within our current strategic plan and aim to be top quartile, when compared to our peers in the North, on a number of indicators by 2019/20.

We also recognise in our targets the difficulties that we may face as Universal Credit (UC) is rolled out during 2018 within 2 of our 3 main operating areas; Middlesbrough and Stockton, with UC already live in Hartlepool. There is a lot that we have learnt from the roll out in Hartlepool, but we do also recognise that there is more that we can do and we have resourced accordingly, both within our Financial Inclusion team and in reshaping our approach to how we deliver services in our Neighbourhoods, reducing the ratio of homes to each neighbourhood co-ordinator as we recognise the value of face to face intervention.

We are also investing £1m in what we have called our ‘Customer Facing’ plan which will see us moving many more transactional processes on line, as we see this complementing our face to face offer and have set targets to ensure that this drive to transact digitally will free up resources to deal with some of the more complex needs that many of our customers and tenants face.

We have made significant progress with regard to our repairs service, both in terms of efficiencies generated and customer satisfactions, but recognise that there is more to do in relation to the number of empty homes that we have, the time that it takes us to let them and the arrears that we are currently carrying across our stock.

Strategic Report

Value for Money

With this in mind, and led by the board, we have identified why we might be an outlier within the sector and the region, what we can learn from others in improving performance and, as a result, what we can do to improve our performance and generate efficiencies (reduce costs and increase income).

With regard to empty homes, we have a clear strategy to achieve upper quartile when compared to our northern peers. We had set a target to reduce the number of available to let voids to 250 by 31 March 2019 and we have now brought this forward to much earlier in the year, recognising the benefits that this not only brings to the business, but to the people that move into our properties.

The strategy includes;

- A revised standard that recognises the affordability issues that many of our potential customers and tenants are already facing, ensuring that our properties are truly ready to move into without any additional expense to the customer or tenant.
- Reducing the time that it takes to apply for and be allocated a home
- Investing in the spaces around our homes ensuring they are safe, clean and tidy

As is highlighted earlier within this section, we do suffer from a higher than average level of arrears and, whilst we achieved our targets for 2017/18 we recognise that those targets were low when compared to our peers and are currently revisiting them. The operating model that we have adopted and the increased ratio of staff to customers within our neighbourhoods, is fundamental to this, but we are also looking at different ways to tackle low level arrears by using systems (Mobysoft) to carry out the majority of the administrative burden of collecting debt.

We have increased resources in our Financial Inclusion team, which has already provided value by increasing the level of financial support we have secured for our tenants and continues to help people as they move on to universal credit. We are revising our rent policy by ensuring that all new tenants, not on benefits, are paying their rent in advance and working with them to keep their accounts in credit and we are investing further in the collection of former tenant arrears, utilising the Mobysoft system to assist recovery in this area too.

As set out in our VFM self-assessment 2017 we have set the following financial efficiency targets for 2018/19, some of which have already been delivered:

Efficiency	2018/19 target £000's
Back office staffing restructure (already delivered)	700.0
Group consolidation (year 2 savings)	656.0
Fleet review	449.8
Trade Plus	680.2
Repairs and Maintenance restructure	211.0
Out of Hours reduction in call outs	424.2
Total	**3,121.2**

Thirteen's governance structure

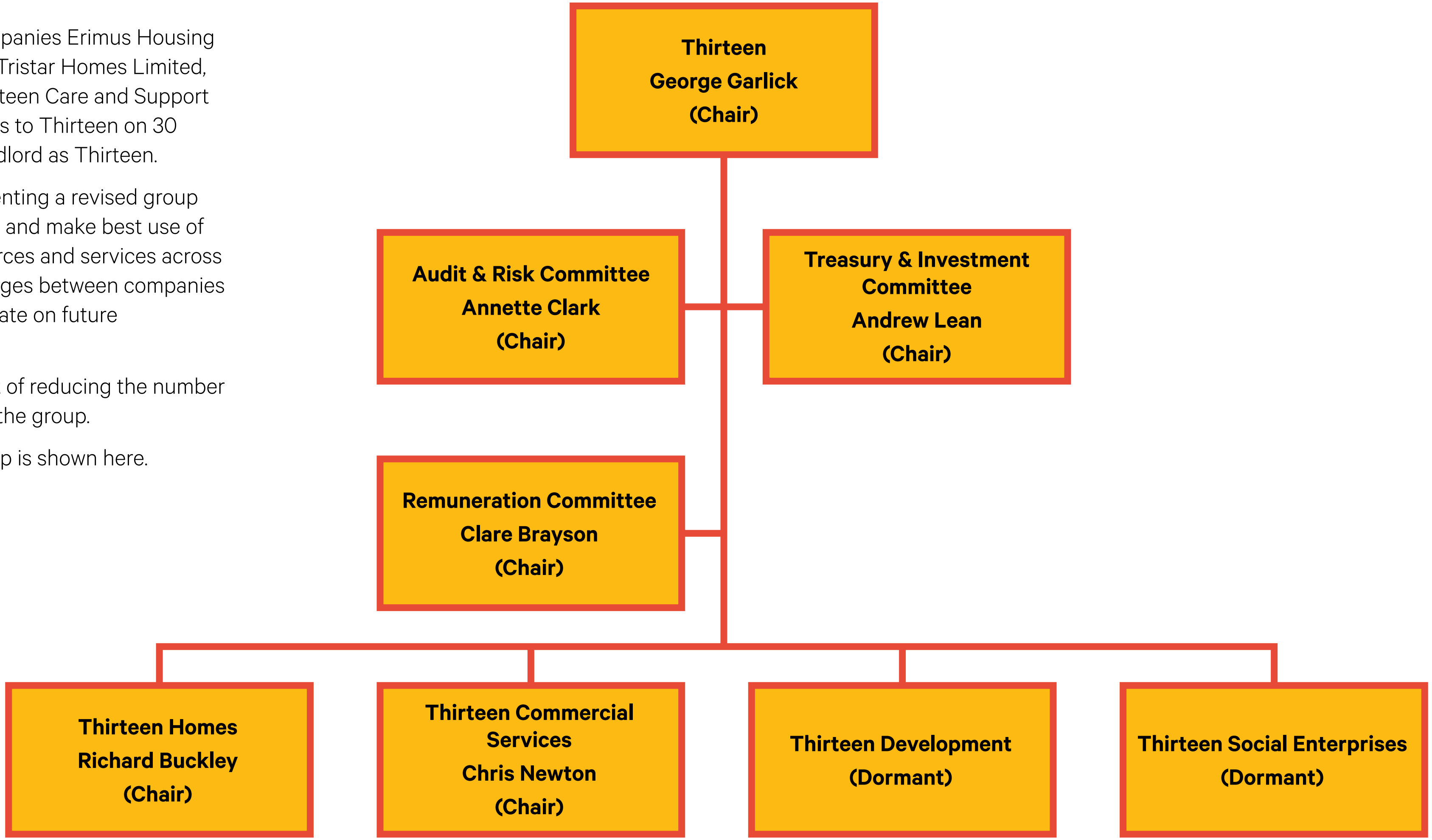
Thirteen's governance structure

As mentioned earlier, the partner companies Erimus Housing Limited, Housing Hartlepool Limited, Tristar Homes Limited, Tees Valley Housing Limited and Thirteen Care and Support Limited transferred their engagements to Thirteen on 30 June 2017 to consolidate into one landlord as Thirteen.

The benefits associated with implementing a revised group structure include the ability to release and make best use of funding capacity and maximise 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 have been realised as a result of reducing the number of boards and board directors across the group.

The governance structure of the group is shown here.



Thirteen's governance structure

The group is made up of the following partner organisations:

Thirteen Housing Group Limited

Thirteen is a community benefit society registered with the Financial Conduct Authority and a provider of social housing, registered with the Regulator of Social Housing (RSH).

Thirteen is the parent organisation and principal landlord of the group and owns all the group's assets. Its principal activities are the management of social housing, the development of new homes and the provision of housing-related support and employability services.

Thirteen Commercial Services Limited (formerly Partnering Plus Limited)

Thirteen Commercial Services is a private limited company registered at Companies House and is a wholly owned subsidiary of Thirteen.

During the financial year the main activities of Thirteen Commercial Services related to commercial lettings and management of commercial properties on behalf of Thirteen.

Thirteen Homes Limited (formerly Portico Homes Limited)

Thirteen Homes is a private limited company registered at Companies House and is a wholly owned subsidiary of Thirteen.

During the financial year Thirteen Homes saw very little activity as it was gearing up to become the group's vehicle for the development of homes for sale.

Thirteen Property Development Limited (formerly Optimus Homes Limited)

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

Thirteen Social Enterprises Limited (formerly Vela Homes Limited)

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

Governance Review and Compliance

To successfully consolidate the Thirteen Group, we carried out a comprehensive review of its governance arrangements, with support and advice from external consultants. This included consideration of the roles, responsibilities and membership of the Thirteen Board, subsidiary boards and committees.

Following an in-depth assessment (IDA) by the Regulator of Social Housing in November 2017, Thirteen retained its G1/V1 ratings for governance and financial viability. This judgement is the highest rating achievable and confirms our robust governance framework and sound financial management arrangements.

In addition, the board carried out its annual assessment of compliance with the Regulator of Social Housing's regulatory framework for registered providers and reports full compliance. The board also reviewed its governance arrangements for compliance against its adopted code of governance, the National Housing Federation's Excellence in Governance – Code for Members 2015, and considers we are fully compliant.

The board is confident that the review of Thirteen's governance arrangements, the outcome of the IDA and regulatory judgement, together with the self-assessments against the regulatory framework and code of governance, provide assurance that the governance framework across the organisation is strong.

NHF Merger Code

We have signed up to the voluntary NHF Merger Code and comply with the principal recommendations within the code. Three approaches were made to other housing associations during 2017/18.

Modern Slavery Act 2015

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

Persons of Significant Control

Thirteen maintains a register of persons of significant control for each of its boards.

Operating enviroment and risk management

Operating Environment and Risk

In last year's strategic report we spoke about the housing sector facing a period of significant challenge, and as predicted, this is still the case. Nevertheless, the Savills Housing Sector Survey 2018 concludes that the policy environment has undoubtedly improved over the past 12 months, with the development of homes becoming an increased priority for housing associations. This has been supported by the confirmation of the rent settlement for 2020.

This also reflects the view of the majority of respondents, citing their main priority as the delivery of new homes. Others prioritise the management of existing homes, reporting greater management effort on compliance and health and safety, following the catastrophic Grenfell Tower fire. We have received the outcome of the resulting Hackitt Review into building and fire safety regulations, and are currently working to understand what this means for us as a business. Alongside this there are renewed calls to put tenants at the heart of decision-making and provide greater accountability.

New regulatory arrangements have provided greater clarity for the sector; the investment and regulatory functions of the Homes and Communities Agency were renamed and rebranded as Homes England and The Regulator of Social Housing (RSH) respectively. They will formally become separate entities in October 2018.

Following our in-depth assessment and our V1 and G1 rating by the regulator, we have renewed confidence that we are in a robust position to deal with the challenges facing the sector and that we are able to take advantage of opportunities arising.

The Northern Powerhouse and our relationship with the Tees Valley Combined Authority present a number of opportunities for us to work innovatively and collaboratively to provide the right homes in the right places for our communities. We continue to drive efficiencies in all areas of our business in order to allow for much needed regeneration to take place, an area which requires increased investment.

Although we are closer to the day when the UK will leave the European Union, we are yet to understand the implications and what the deal is likely to look like. At the time of preparing this report, we were also awaiting the Conservative Party's Green Paper on social housing, but have digested Labour's Housing for the Many, with the main themes being around boosting the supply of truly affordable housing, increasing the accountability of registered providers and increasing powers for local authorities. We must continue to promote and reinforce the great work that is already going on across the sector.

We welcomed the scrapping of the Local Housing Allowance cap on rents, which was replaced with a consultation on a new model for the funding of supported housing, the outcome of which is due imminently. Given that we are facing a swiftly ageing population with greater care needs, it is even more fundamental that this crucial area receives sufficient funding.

Our revised strategic plan for 2018 to 2023 gives us clear direction and ensures we are focused on meeting our priorities as a business.

When setting, and mitigating against, our strategic risks are central to our assurance framework, as is set out within the next section and is further informed by our Research and Policy team. More details on the internal control processes are provided on page 44 to 47.

Management of Strategic Risks

Within the context of the current operating environment we have further developed Thirteen's strategic assurance framework, which consolidates our approach to assurance and identifies the critical components of an effective assurance framework, including risk management, stress testing, internal controls, business continuity, internal audit, insurance and governance.

The framework is a dynamic process under continuous review and enables board and committee members, the executive team and service directors to better understand, manage and review assurance arrangements, ensuring that the outcomes of assurance activity are used constructively to inform strategic decisions and to protect and improve the business.

Strategic Report

Operating enviroment and risk management

Assurance is provided in many forms, both implicit and explicit. Ensuring Thirteen has an effective assurance framework is the responsibility of the board, with the Audit and Risk Committee having delegated authority for specific aspects on behalf of the board.

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

The board continually reviews and monitors a set of strategic risks, which are linked to our strategic plan and take into account the sector risk profile, regulator's expectations, external factors and the outcomes of stress testing exercises.

Following discussions with the RSH as part of Thirteen's in-depth assessment, we have worked with an independent consultant to further develop our approach to risk management.

Strategic risks are scored in terms of probability and impact, with triggers and consequences identified for each, along with mitigating controls and additional actions identified in line with the three lines of defence. The strategic risks are reviewed by the board at the beginning of each meeting, and again at the end to consider whether any decisions made have impacted on the status of each risk and whether any additional actions are required.

Service risk registers are in place for all key service areas and are reviewed and monitored by service directors.

The board has delegated authority to the Audit and Risk Committee to scrutinise risk controls and actions, and also to regularly review the effectiveness of internal control, and has received regular reports from the committee throughout the year in review.

The Audit and Risk Committee has received the Chief Executive's annual report on the effectiveness of internal control systems, together with the annual report from our internal auditors, Mazars, and reported its findings to the board.

The board and Executive Team consider the following to be the key strategic risks for Thirteen aligned to the strategic priorities:

Operating enviroment and risk management

Risk		Mitigating actions
Priority 1: Delivering great customer service		
Risk 1	Failure to manage the impact of welfare reform changes	We have introduced a new business operating model and invested in additional resources to help mitigate the impact of welfare reforms. Effective relationships with key stakeholders and learning from the introduction of Universal Credit in Hartlepool has informed action planning. An internal audit review of rent collection services received a 'good' assurance rating, and the recommendations from this, along with those from the 'rent first' customer scrutiny review, are also being implemented.
Risk 2	Inability to let our homes and manage increased voids	As part of our new operating model, neighbourhood co-ordinators have smaller patches to concentrate resources, effort and intelligence on lettings, voids and income. A revised lettings standard and empty property management process will support this approach. Recommendations from the voids internal audit review ('adequate' rating) are being implemented.
Priority 2: Being a social entrepreneur		
Risk 3	Significant financial loss impacting on ability to deliver	We have a prudent financial plan, treasury strategy and policy, all of which have been developed with external specialist advisors. The board stress tests the financial plan on a regular basis and action plans are developed where required to address the outcomes, which are monitored along with the financial golden rules and covenant compliance.
Risk 4	Failure of governance arrangements across the group	Our governance arrangements were reviewed in 2016/17 in line with group consolidation, and a recruitment process based on our board competency framework ensured the appointment of suitably experienced and skilled non-executive directors and committee members. Performance reviews have been completed for all board and committee members, along with reviews of the effectiveness of the boards and committees as a whole. Proposals to clarify and simplify the decision-making process will be considered by the board in September 2018.

Operating enviroment and risk management

Risk		Mitigating actions
Priority 3: Contributing to the regeneration of the Tees Valley		
Risk 5	Inability to adapt to a changing housing market, customer groups and demographics	Mitigating controls include ongoing horizon scanning, market testing, research into national and local policy development and customer insight, which has informed the development of our five year strategic plan and discussions and decisions at board level. A timetabled risk action plan has been developed which includes consideration of the impact of changing to affordable rents and the delivery of our digital blueprint project.
Risk 6	Failure to manage a growing development programme	Reshaping our in-house affordable new homes delivery team and appointing a new service director in addition to appointing a managing director for our Thirteen Homes subsidiary to oversee the management of our development for sale programme, as well as our strengthened development appraisal and approval process, has helped to minimise this risk. A further review of the decision-making process for new development opportunities in August and September 2018 will simplify and clarify the process. An internal audit review is scheduled within the 2018/19 audit programme.
Risk 7	Failure to manage our asset base, repairs and investment programme for the benefit of tenants	We have an approved asset management strategy, which defines our approach to asset management and sustainability. Our investment programme is updated on an annual basis based on stock condition surveys. We have carried out a full independent review of our building safety compliance covering but not limited to gas, legionella and asbestos ensuring continued improvement and full compliance. We implemented a comprehensive review of our high-rise accommodation following the Grenfell tragedy to determine its future sustainability and the board has agreed the actions proposed, ranging from decommissioning blocks to carrying out major repairs.

Operating enviroment and risk management

Risk		Mitigating actions
Priority 4: Being Team Thirteen		
Risk 8	Information governance and data protection arrangements are compromised	We developed a comprehensive action plan to ensure Thirteen was prepared for the planned implementation of GDPR in May 2018. We enhanced our existing policies and procedures, as well as information security training for board directors and colleagues, and appointed data owners across Thirteen to ensure that all colleagues were aware of the regulations and their responsibilities with regard to ensuring the safety of sensitive and personal. We also invested in IDT systems and improved security arrangements, including cyber monitoring by external specialists.
Risk 9	Inability to let our homes and manage increased voids	We have robust health and safety and safeguarding policies, procedures and systems in place, supported by comprehensive training programmes for all board directors and colleagues. Health and safety is considered at each leadership team meeting, and any safeguarding and health and safety incidents are investigated and reported to audit and risk committee, along with lessons learned and actions taken to minimise the risk of further occurrences. A comprehensive review of property compliance has been completed and all recommendations implemented. The introduction of an electronic compliance system will enhance monitoring and reporting arrangements.
Risk 10	Failure to reshape the business and implement the new neighbourhood operating model	The group reshape project has now been completed and the new operating model appointed to. The operating model strategic project has ensured that capacity and resources for the model have been factored into budgets, plans and priorities. A comprehensive training plan has been established and is being delivered to all teams, and systems and process have been re-aligned to support the new model. Performance is being monitored to ensure resources are being directed appropriately.

'Golden rule' financial measures

This is a statement of the board's financial risk appetite linked to the strategic risks. The measures have been set and are monitored alongside the risk map as they provide the financial headroom to ensure mitigating actions, when required, can be financed.

The financial measures are:

- **Financial measure 1**: Minimum cash and cash equivalent
- **Financial measure 2**: Capital funding liquidity
- **Financial measure 3**: Intra-group on-lending limit
- **Financial measure 4**: Minimum interest cover
- **Financial measure 5**: Maximum gearing
- **Financial measure 6**: Minimum asset cover

The Thirteen Board

The Thirteen Board

The Thirteen Board is committed to achieving the highest standards of corporate governance in its oversight of the delivery of Thirteen's strategic plan, risk management, values and ethics.

During the financial year, Thirteen continued to follow best practice with regard to corporate governance and complied with the NHF's Excellence in Governance – Code for Members 2015.

A board of ten non-executive directors and one executive director (the Chief Executive) currently governs Thirteen, supported by two subsidiary boards (Thirteen Homes Limited and Thirteen Commercial Services Limited) and three committees (Remuneration; Audit and Risk and Treasury and Investment) with day to day management delegated to the Executive Team.

The chairs of each of the three committees hold positions as non-executive directors on the Thirteen Board, as do the chairs of Thirteen Homes Limited and Thirteen Commercial Services Limited, with the balance made up of five additional independent non-executive directors, including the Chair of Thirteen.

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 115.

Board directors have been appointed, with the support of an external consultant, 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 performance review programme as well as board induction, development and training.

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

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

Remuneration paid to non-executive directors of the group in the financial year was £119,220 (2017: £172,583). A breakdown of remuneration paid to each non-executive director is included in Note 10 to the financial statements.

Committee Structure

To support the requirements of good governance, the board has three committees, all of which have dedicated terms of reference and delegated responsibility for specific functions, to provide the board with assurance on internal control, risks, compliance, financial viability, investments and employee relations.

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

Treasury and Investment Committee - is responsible for our financial health and effective long-term financial planning. Its role is to review, on behalf of the board, all decisions in respect of lending and borrowing, to scrutinise new lending instruments and arrangements, and generally monitor the performance of our loan portfolio. It also scrutinises all our investment decisions in respect of significant opportunities including acquisitions, regeneration and development schemes, mergers, commercial investment and other major projects.

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

Executive directors

The executive directors are the Chief Executive, the Executive Director of Resources, the Executive Director of Property Services and the Executive Director of Service Delivery and Development. They hold no interest in Thirteen's shares and act as executives within the authority delegated by the board.

Service contracts

The 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' indemnities

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

Director's Report

The Thirteen Board

Board meeting attendance

Board member	Thirteen	Thirteen Homes	Thirteen Commercial	Audit & Risk Committee	Treasury & Investment Committee	Remuneration Committee	Attendance
George Garlick	✔ (Chair)						7/7
Clare Brayson	✔					✔ (Chair)	9/10
Julie Clarke (to 18/4/18)	✔					✔	3/9
Mark Simpson	✔					✔	7/10
Steve Nelson	✔						7/7
Brian Dinsdale	✔				✔		12/13
Annette Clark	✔			✔ (Chair)			11/11
Andrew Lean	✔				✔ (Chair)		12/13
Ian Wardle	✔						6/7
Richard Buckley (from 13/9/17)	✔	✔ (Chair)					10/10
Chris Newton	✔		✔ (Chair)				8/9
Chris Smith		✔					4/4
Sarah Robson (from 8/1/18)		✔					2/2
Zoe Lewis (from 8/1/18)		✔					2/2
Laura Mack (from 24/1/18)			✔				2/2
Kiersten Avery (from 24/1/18)			✔				2/2
Barbara Heather Ashton			✔				4/4
Miriam Harte				✔	✔		7/10
Keith Hurst				✔			4/4
Carla Keegans				✔			2/4
Christine Storrs				✔			4/4
Neil Pattison					✔		5/6
Nadeem Ahmad						✔	3/3

Internal controls assurance

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 Audit and Risk Committee is responsible to the board for monitoring these arrangements and reporting on their effectiveness.

Review of internal controls

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

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

Key elements of the internal control framework include:

- Established governance and management structures – *with clearly defined roles and responsibilities and delegated authorities.*
- Adoption of the National Housing Federation's 2015 Code of Governance – *ensuring compliance with the recommendations of the code.*
- Strategic risk reporting and monitoring – *developed and owned by the board, with review and monitoring of mitigating actions and controls by Audit and Risk Committee, and each board and committee considering risk impact as part of its decision making process.*
- Service risk register reporting and monitoring – *developed, owned and monitored by service directors and reflecting the risks that could prevent the delivery of targets, operational plans and projects. Reviewed annually by Audit and Risk Committee.*
- Risk event reporting - *defence against serious detriment and learning tool to ensure implementation of improvements or additional controls to prevent recurrence.*
- Exceptional event register - *contemporary reporting of events of concern including fraud, whistleblowing and control failures.*
- Stress testing and business planning arrangements – *setting golden rules in relation to the organisation's finances, monitors progress against these parameters and identifies appropriate mitigating actions. Supported by a resilience plan to ensure the implementation of mitigating actions, continued financial viability and delivery of the strategic plan.*
- Business continuity plans (managing a major crisis); disaster recovery plans (loss of IDT services); and local resilience arrangements (managing localised crisis issues) *– systems of prevention and recovery to deal with potential threats to the business and ensure continuation of services.*
- Insurance arrangements – *providing financial protection against loss and meeting legal obligations.*
- Transparency reporting - *Overview of appropriate governance arrangements including probity, gifts and hospitality, exceptions to standing orders, whistleblowing and external agency interventions.*
- Health and safety arrangements –*including policy, training, audit and monitoring arrangements.*

Management Controls

- Financial regulations and delegations of authority - *rules and principles that control financial transactions.*
- Budget monitoring and management accounts - *to monitor, forecast and manage Thirteen's finances.*
- Financial and performance reporting to boards – *ensuring the boards understand and can challenge performance and actions in place to rectify under-performance.*
- Directors' forums – *regular meetings of service directors to monitor and review performance against key strategic projects and targets.*
- Executive team and service directors' meetings – *meeting separately and jointly to ensure the delivery of Thirteen's strategic objectives.*

Internal controls assurance

- Value for Money (VFM) framework and project – *reviewing and articulating our approach to VFM, attainment of efficiencies and clarity on reinvestment, and ensuring we, and the board, consider potential return on investment vs risk prior to approval of projects and opportunities.*
- Procedures and guiding principles - *documents that ensure legal compliance, consistence and adherence to an agreed policy or process.*
- Project management framework – *ensuring a consistent, risk-based approach to considering, approving, monitoring and reporting on the implementation of projects.*
- Compliance framework – *ensuring the submission of timely and accurate regulatory and legislative returns; the implementation of relevant policies, procedures and training; and self-assessment against the HCA's Governance and Financial Viability Standard and the NHF Code of Governance.*
- Assets and Liabilities Register – *records details of Thirteen's assets and liabilities, for use by the board when making investment decisions.*
- Health and Safety arrangements – *including appropriate policies and procedures, audits, recording and monitoring via health and safety work groups and committee, Remuneration Committee and Board.*
- Data Integrity arrangements – *validation of data held across Thirteen to ensure consistent and accurate statistical and performance reporting and 'one version of the truth'.*
- People strategy, policies and procedures – *including organisational and employee development, employee performance review framework, induction and training, team and 1:1 meetings.*

Independent Assessment

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

- Internal audit arrangements – *providing independent assurance that our risk management, governance and internal control processes are operating effectively.*
- External audit arrangements - *independent validation of the annual accounts and compliance with accounting standards.*
- Regulator of Social Housing - *audits, including in-depth assessments, annual stability reviews etc., focusing on governance, financial viability and VFM.*
- Funders - *compliance with loan covenants.*
- Ombudsman, HSE and Environmental Health – *outcomes, opinions, recommended actions and enforcement requirements received as a result of audits and/or referrals to external regulatory bodies.*
- Peer comparisons - *allow for appropriate benchmarking and learning from other organisations and 'best in field'.*
- Independent reports - *provide specialist advice and/or alternative insight into topics and best practice, review of board effectiveness, etc. boards and committees can request independent advice on any topic at any time.*
- Customer engagement framework/scrutiny – *ensuring compliance with the tenant involvement and empowerment standard, engagement with customers in the operation of the business and assessment against the consumer standards.*
- Insurers' judgements – *recommendations for improvement following consideration of insurance claims.*

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 April 2017 a breach of the organisation's ICT systems occurred and a full investigation was carried out and details reported to the Audit and Risk Committee, board, the HCA and the Information Commissioner's Office (ICO). On 18 July we received confirmation from the ICO that in view of the remedial action taken by Thirteen, there would be no formal enforcement action.

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 board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2018, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

Director’s Report

Internal controls assurance

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.

Employees

Thirteen has ambitions to be a high performing, collaborative and efficient company, as well as being an employer of choice. We want our colleagues to demonstrate our values on a daily basis and to work collaboratively across the organisation to achieve a better outcome. We want business intelligence to drive our colleagues’ decision making about the services that we offer in full knowledge of the return on investment that these provide. A key part of doing this, is ensuring that we have the right resources in place at the right time.

Having listened to customer, colleague and stakeholder feedback, we spent a key part of the year looking at how we should reshape the organisation to ensure we can have the right resources in place. Part of this reshaping process was to confirm Thirteen’s preferred operating model, which aims to put neighbourhoods at the heart of our decision-making and to use the organisation design framework and supporting principles to put in place staffing structures that support the achievement of our aims.

This process concluded that while 80% of the organisation would not see any affect to their employment status as a result of the proposed changes, 20% would need to be placed at risk of redundancy. It is a testament to the staff placed at risk of redundancy that following a selection process, only 80 colleagues left the organisation through voluntary redundancy (5%); with only 19 (1.2%) leaving on the grounds of compulsory redundancy. At the same time, we also saw a number of external candidates joining the company to give us that much needed boost in both resource capacity and challenge from a fresh perspective.

With the reshaping project now complete, our Be Thirteen campaign started in earnest to support all our colleagues to fully understand their own expectations as well as those of their colleagues. This programme, which will be co-designed by our colleagues as it develops, will further support the embedding of our values, while at the same time giving our colleagues the skills they need to fulfil their roles. This will include the development of a specific style of relationship building and will be fully supported by a bespoke learning and development offer, tailored to individual needs.

In the coming year, we anticipate a real focus on performance management – supported by the introduction of a people scorecard and employer brand - to help us determine whether our promised employee experience is the one that colleagues actually receive. We will also be focusing on reward and recognition, employee engagement and other employment frameworks.

Throughout all this change, we have, and will continue to ensure that our colleagues receive the necessary training and support to deliver their roles and to provide relevant mechanisms to ensure they can influence and shape

decisions made at both an operational and strategic level. We have also continued to honour our commitment to having a diverse workforce and ensured our pay and terms and conditions meet equal pay principles. This in turn, has seen positive results in our Gender Pay report, which revealed a 7% median and 0.2% mean gap.

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 to safeguard the health and wellbeing of colleagues. Our health and safety policy statement, which is supported by detailed policies and procedures, is reviewed on an annual basis, with training and education provided to colleagues on all relevant matters.

Donations

We made charitable donations during the year of £250 to the Butterwick Hospice, £530 to the Great North Air Ambulance and £500 to the Bloodrun Emergency Volunteer Service (2017: £nil). No political donations were made (2017: £nil).

Complaints

We have a clear, accessible complaints policy for customers that has been designed to ensure they can follow a simple process.

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 us to a number of financial risks. The main risks are considered to be interest rate risk, liquidity risk, counterparty and credit risk. The board reviews and agrees policies for managing each of these risks; these are summarised below.

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

Interest rate risk

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

Liquidity risk

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

The maturity of borrowings is set out above. In addition to these borrowings we have £120.7m of undrawn committed facilities.

Counterparty risk

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

Credit risk

Our principal credit risk 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. We have long-term debt facilities in place, including £120.7m of undrawn facilities at 31 March 2018, which provide adequate resources to finance committed reinvestment and development programmes, along with our day-to-day operations.

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

Director's Report

Statement of Board's Responsibilities

Statement of Board's Responsibilities

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

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

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

The board is responsible for keeping proper accounting records that are sufficient to show and explain the RSL's transactions and disclose with reasonable accuracy at any time, the financial position of the RSL and to enable it to ensure the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and regulations of the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing from April 2015. It is also responsible for safeguarding the assets of the RSL and for taking reasonable steps to prevent and detect fraud and other irregularities.

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

Annual General Meeting

The Annual General Meeting takes place on 12 September 2018.

Independent Auditors

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

The directors' report was approved by the board of Thirteen Housing Group Limited on 12 September 2018 and signed by order of the board by:

George Garlick
Chair of Thirteen Housing Group

Report on the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the association's affairs at 31 March 2018 and of the group's and association's surplus, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law); and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2015.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Group and Association statement of Financial Position as at 31 March 2018; the Group and Association Statements of Comprehensive Income; the Group and Association Statements of Changes in Reserves; the Group Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Statement of Board's Responsibilities

Responsibilities for the financial statements and the audit

Responsibilities of the board for the financial statements

As explained more fully in the Statement of board's Responsibilities set out on page 48, the board is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the group's and association's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intends to liquidate the association and parent or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Co-operative and Community Benefit Societies Act 2014 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

The engagement partner on the audit resulting in this independent auditors' report is Michael Jeffrey.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
12 September 2018

Group Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	3	159,827	164,989
Cost of sales	3	(837)	(4,659)
Operating expenditure	3	(120,034)	(110,779)
Operating surplus	5	38,956	49,551
Gain on disposal of property, plant and equipment (fixed assets)	6	1,951	1,372
Change in valuation of investment properties	14	(823)	-
Interest receivable	7	34	176
Interest payable and similar charges	8	(11,472)	(12,236)
Other finance costs	28	(988)	(1,343)
Surplus on ordinary activities before taxation		27,658	37,520
Tax on surplus on ordinary activities	11	1	-
Surplus for the year		27,659	37,520
Actuarial (loss)/gain in respect of pension schemes	28	(3,292)	3,227
Remeasurement gain/(loss) in respect of pension scheme	28	50	(123)
Total comprehensive income for the year		24,417	40,624

The consolidated results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements on pages 51 to 114 were approved and authorised for issue by the board of directors on 12 September 2018 and signed on its behalf by:

George Garlick Director	Ian Wardle Director	Barbara Heather Ashton Secretary

Association Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £'000	Combined 2017 £'000
Turnover	3	159,448	164,986
Cost of sales	3	(837)	(4,659)
Operating expenditure	3	(119,795)	(110,773)
Operating surplus	5	38,816	49,554
Gain on disposal of property, plant and equipment (fixed assets)	6	1,951	1,372
Change in valuation of investment properties	14	(823)	-
Interest receivable	7	34	174
Interest payable and similar charges	8	(11,472)	(12,236)
Other finance costs	28	(988)	(1,343)
Gift Aid		140	19
Surplus on ordinary activities before taxation		27,658	37,540
Tax on surplus on ordinary activities	11	(6)	-
Surplus for the year		27,652	37,540
Actuarial (loss)/gain in respect of pension schemes	28	(3,292)	3,227
Remeasurement gain/(loss) in respect of pension scheme	28	50	(123)
Total comprehensive income for the year		24,410	40,644

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

On 1 July 2017, Erimus Housing Limited, Housing Hartlepool, Tees Valley Housing Limited, Tristar Homes Limited and Thirteen Care & Support Limited transferred their engagements to Thirteen Housing Group Limited. The group reconstruction has been accounted for as a merger as described in note 39. The comparatives for Thirteen Housing Group Limited have been restated to include the results for all the combining entities.

The financial statements on pages 51 to 114 were approved and authorised for issue by the board of directors on 12 September 2018 and signed on its behalf by:

George Garlick Director	Ian Wardle Director	Barbara Heather Ashton Secretary

Group Statement of Changes in Reserves

For the year ended 31 March 2018

	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Revaluation Reserve £'000	Minority Interest £'000	Total Reserves £'000
As at 1 April 2016	237,494	350	299,367	12	537,223
Surplus for the year	37,520	-	-	-	37,520
Other comprehensive income	3,104	-	-	-	3,104
Transfer with the revaluation reserve	4,878	-	(4,878)	-	-
Transfer with the restricted reserve	(91)	91	-	-	-
As at 1 April 2017	282,905	441	294,489	12	577,847
Surplus for the year	27,659	-	-	-	27,659
Other comprehensive expense	(3,242)	-	-	-	(3,242)
Transfer with the revaluation reserve	9,778	-	(9,778)	-	-
Transfer with the restricted reserve	(6,874)	6,874	-	-	-
Disbursements	-	-	-	(12)	(12)
As at 31 March 2018	310,226	7,315	284,711	-	602,252

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 2018, the income and expenditure reserve included £49.7 million defined pension liability (2017: £44.0 million).

Association Statement of Changes in Reserves

For the year ended 31 March 2018

	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Combined as at 1 April 2016	237,474	350	299,267	537,091
Surplus for the year	37,540	-	-	37,540
Other comprehensive income	3,104	-	-	3,104
Transfer with the revaluation reserve	4,878	-	(4,878)	-
Transfer with the restricted reserve	(91)	91	-	-
Combined as at 1 April 2017	282,905	441	294,389	577,735
Surplus for the year	27,652	-	-	27,652
Other comprehensive expense	(3,242)	-	-	(3,242)
Transfer with the revaluation reserve	9,678	-	(9,678)	-
Transfer with the restricted reserve	(6,874)	6,874	-	-
As at 31 March 2018	310,119	7,315	284,711	602,145

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 2018, the income and expenditure reserve included £49.7 million defined pension liability (2017: £44.0 million).

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 31 March 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association Combined 2017 £'000
Fixed assets					
Tangible fixed assets	12,13	1,003,043	999,388	1,003,043	999,437
Investment properties	14	3,770	2,410	3,770	2,410
Homebuy loans receivable	15	1,047	1,101	1,047	1,101
Financial assets	16	1	1	-	-
Investments in subsidiaries	17	-	-	50	38
Total fixed assets		1,007,861	1,002,900	1,007,910	1,002,986
Current assets					
Properties for sale	18	12,102	6,399	12,102	6,399
Debtors	19	14,079	17,391	14,282	17,391
Cash and cash equivalents	20	7,414	31,349	6,932	31,148
		33,595	55,139	33,316	54,938
Creditors: amounts falling due within one year	21	(35,663)	(37,967)	(35,540)	(37,964)
Net current (liabilities)/assets		(2,068)	17,172	(2,224)	16,974
Total assets less current liabilities		1,005,793	1,020,072	1,005,686	1,019,960
Creditors: amounts falling due after more than one year	22	(353,804)	(398,217)	(353,804)	(398,217)
Provisions for liabilities					
Pension provisions	28	(49,737)	(44,008)	(49,737)	(44,008)
Total net assets		602,252	577,847	602,145	577,735
Reserves					
Minority interest		-	12	-	-
Revaluation reserve		284,711	294,489	284,711	294,389
Restricted reserve		7,315	441	7,315	441
Revenue reserve		310,226	282,905	310,119	282,905
Total Reserves		602,252	577,847	602,145	577,735

The accompanying notes form part of these financial statements.

The financial statements on pages 51 to 114 were approved and authorised for issue by the board of directors on 12 September 2018 and signed on its behalf by:

George Garlick	Ian Wardle	Barbara Heather Ashton
Director	Director	Secretary

Group Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities	31	60,514	72,743
Cash flow from investing activities			
Purchase of tangible fixed assets		(36,675)	(44,151)
Proceeds from sale of tangible fixed assets		6,791	5,348
Loans advanced to home owners		54	-
Loans repaid by third parties		-	-
Grants received		2,926	5,186
Interest received		34	176
		(26,870)	(33,441)
Cash flow from financing activities			
Interest paid		(13,141)	(13,296)
New secured loans		-	-
Repayments of borrowings		(44,438)	(45,720)
		(57,579)	(59,016)
Net change in cash and cash equivalents		(23,935)	(19,714)
Cash and cash equivalents at beginning of the year		31,349	51,063
Cash and cash equivalents at end of the year		7,414	31,349

The accompanying notes form part of these financial statements.

1. Statement of compliance

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

The financial statements of the group and association have been prepared in compliance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as it applies to the financial statements of the group and association for the year ended 31 March 2018.

2. Accounting policies

Basis of accounting

The financial statements of the group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102, the Companies Act 2006 and the Statement of Recommended Practice for Registered Social 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 has opted to apply the exemption available under Paragraph 1.12 of FRS 102 to not prepare an individual statement of cash flows in the financial statements of subsidiary companies or the association. A consolidated statement of cash flows is included in these consolidated financial statements.

Measurement convention

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

Basis of consolidation

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

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

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.

2. Accounting policies (continued)

Bad debts

For rent ledger debtors, provision is made based on collection rate experience and consideration of future changes which may affect collection rates.

For sales ledger debtors, the provision is based on the customer type and the likelihood of the debt being collected based on experience of collection rates and consideration of future changes which may affect these collection rates.

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

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

Value added tax

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

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

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

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 association 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 association has agreed to a deficit funding arrangement the association 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 (continued)

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

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.

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

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

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

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.

2. Accounting policies (continued)

Depreciation of housing properties

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

Housing properties formerly held by Thirteen Care and Support Limited 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 but does not result in a material difference in charges.

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

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

	Years
• Land	Not depreciated
• Structure	25-125
• Roofs	50
• Kitchens	20
• Bathrooms	30
• Windows	30
• Doors	30
• Electrical	50
• Heating	15
• PV Panels	25

Impairment

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

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

Other tangible fixed assets

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

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

2. Accounting policies (continued)

Other tangible fixed assets (continued)

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

Leased assets

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

Stocks and work-in-progress

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

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

Social housing grant

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

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

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

2. Accounting policies (continued)

Social housing grant (continued)

Each of these associations subsequently transferred their engagements (including all assets and liabilities) to Thirteen Housing Group Limited on 1 July 2017.

SHG due from the Homes England or received in advance is included as a current asset or liability.

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

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

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

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

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.

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 home buy 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.

Financial Instruments

The group and association 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.

2. Accounting policies (continued)

Financial Instruments (continued)

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.

Significant judgements

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

Property classifications

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

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

Impairment assessment

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

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

2. Accounting policies (continued)

***Impairment assessment* (continued)**

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

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

Financial instrument classifications

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

Agreements to improve existing properties

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

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

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

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

Revaluation reserve

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

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.

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 2015 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 the year was £17.8m (2017: £18.1m).

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 19.

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 28 of these financial statements.

Investment property valuations

Investment properties are valued at their market value which is considered to be their fair value at the reporting date. Management utilises an expert valuer to provide its assessment on the appropriate market values to apply. Investment properties are estimated to be worth £3.7m as at 31 March 2018 (2017: £2.4m).

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

Group – continuing activities		2018		
	Turnover	Cost of sales	Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Social housing lettings	148,274	-	(105,096)	43,178
Other social housing activities				
Current asset property sales	1,996	(837)	-	1,159
Supporting people contract income	906	-	(933)	(27)
Charges for support services	1,659	-	(1,710)	(51)
Revenue grants from local authorities and other agencies	1,900	-	(1,958)	(58)
Development costs not capitalised	-	-	(545)	(545
Regeneration activities	-	-	(156)	(156)
Management services	715	-	(374)	341
Other	582	-	(1,461)	(879)
	7,758	(837)	(7,137)	(216)
Activities other than social housing activities				
Lettings	1,673	-	(1,608)	65
Management services	815	-	(1,002)	(187)
Restructuring costs	-	-	(3,862)	(3,862)
Other	1,307	-	(1,329)	(22)
	3,795	-	(7,801)	(4,006)
	159,827	(837)	(120,034)	38,956

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

Group – continuing activities	2017			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Social housing lettings	149,099	-	(98,428)	50,671
Other social housing activities				
Current asset property sales	4,537	(4,659)	-	(122)
Supporting people contract income	1,454	-	(1,513)	(59)
Charges for support services	1,392	-	(1,411)	(19)
Revenue grants from local authorities and other agencies	1,789	-	(1,559)	230
Development costs not capitalised	-	-	(526)	(526)
Regeneration activities	106	-	(1,754)	(1,648)
Management services	1,063	-	(676)	387
Big Lottery Fund	112	-	(118)	(6)
Other	2,020	-	(2,576)	(556)
	12,473	(4,659)	(10,133)	(2,319)
Activities other than social housing activities				
Lettings	1,841	-	(1,129)	712
Management services	416	-	(468)	(52)
Other	1,160	-	(621)	539
	3,417	-	(2,218)	1,199
	164,989	(4,659)	(110,779)	49,551

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

Association – continuing activities	2018			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Social housing lettings	148,274	-	(105,062)	43,212
Other social housing activities				
Current asset property sales	1,996	(837)	-	1,159
Supporting people contract income	906	-	(933)	(27)
Charges for support services	1,659	-	(1,710)	(51)
Revenue grants from local authorities and other agencies	1,900	-	(1,958)	(58)
Development costs not capitalised	-	-	(545)	(545)
Regeneration activities	-	-	(156)	(156)
Management services	715	-	(374)	341
Other	533	-	(1,461)	(928)
	7,709	(837)	(7,137)	(265)
Activities other than social housing activities				
Lettings	1,553	-	(1,542)	11
Management services	742	-	(983)	(241)
Restructuring costs	-	-	(3,862)	(3,862)
Other	1,170	-	(1,209)	(39)
	3,465	-	(7,596)	(4,131)
	159,448	(837)	(119,795)	38,816

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

Group – continuing activities	2017 - Combined			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Social housing lettings	149,099	-	(98,428)	50,671
Other social housing activities				
Current asset property sales	4,537	(4,659)	-	(122)
Supporting people contract income	1,454	-	(1,513)	(59)
Charges for support services	1,392	-	(1,411)	(19)
Revenue grants from local authorities and other agencies	1,789	-	(1,559)	230
Development costs not capitalised	-	-	(526)	(526)
Regeneration activities	106	-	(1,754)	(1,648)
Management services	1,063	-	(676)	387
Big Lottery Fund	112	-	(118)	(6)
Other	2,020	-	(2,576)	(556)
	12,473	(4,659)	(10,133)	(2,319)
Activities other than social housing activities				
Lettings	1,841	-	(1,129)	712
Management services	416	-	(468)	(52)
Other	1,157	-	(615)	542
	3,414	-	(2,212)	1,202
	164,986	(4,659)	(110,773)	49,554

3. 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	2018 Total £'000	2017 Total £'000
Rent receivable net of identifiable service charges	124,242	13,132	2,520	139,894	140,842
Service charge income	3,709	3,215	353	7,277	7,148
Amortised government grants	1,103	-	-	1,103	1,109
Turnover from social housing lettings	129,054	16,347	2,873	148,274	149,099
Management	(15,724)	(3,040)	(600)	(19,364)	(16,855)
Service charge costs	(6,111)	(3,659)	(173)	(9,943)	(10,129)
Routine maintenance	(23,240)	(1,929)	(372)	(25,541)	(23,917)
Planned maintenance	(3,117)	(283)	(51)	(3,451)	(4,679)
Major repairs expenditure	(17,703)	(1,307)	(391)	(19,401)	(23,498)
Bad debts	(3,664)	(290)	(94)	(4,048)	(454)
Property lease charges	-	-	-	-	(123)
Depreciation of housing properties	(16,064)	(1,655)	(534)	(18,253)	(18,773)
Impairment of housing properties	(5,095)	-	-	(5,095)	-
Operating expenditure on social housing lettings	(90,718)	(12,163)	(2,215)	(105,096)	(98,428)
Operating surplus on social housing lettings	38,336	4,184	658	43,178	50,671
Void losses	(2,498)	(651)	(111)	(3,260)	(2,943)

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

Association

	General needs housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	2018 Total £'000	Combined 2017 Total £'000
Rent receivable net of identifiable service charges	124,242	13,132	2,520	139,894	140,842
Service charge income	3,709	3,215	353	7,277	7,148
Amortised government grants	1,103	-	-	1,103	1,109
Turnover from social housing lettings	129,054	16,347	2,873	148,274	149,099
Management	(15,724)	(3,039)	(600)	(19,363)	(16,855)
Service charge costs	(6,098)	(3,659)	(173)	(9,930)	(10,129)
Routine maintenance	(23,234)	(1,929)	(372)	(25,535)	(23,917)
Planned maintenance	(3,117)	(283)	(51)	(3,451)	(4,679)
Major repairs expenditure	(17,689)	(1,307)	(391)	(19,387)	(23,498)
Bad debts	(3,664)	(290)	(94)	(4,048)	(454)
Property lease charges	-	-	-	-	(123)
Depreciation of housing properties	(16,064)	(1,655)	(534)	(18,253)	(18,773)
Impairment of housing properties	(5,095)	-	-	(5,095)	-
Operating expenditure on social housing lettings	(90,685)	(12,162)	(2,215)	(105,062)	(98,428)
Operating surplus on social housing lettings	38,369	4,185	658	43,212	50,671
Void losses	(2,498)	(651)	(111)	(3,260)	(2,943)

Particulars of turnover from non-social housing lettings

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	Combined 2017 £'000
Non-social housing				
Market rented units	141	147	141	147
Commercial units	585	657	585	657
Student accommodation	213	266	93	266
Garages	734	771	734	771
	1,673	1,841	1,553	1,841

4. Accommodation in management and development

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

	Group		Association	
				Combined
	2018 Number of properties	2017 Number of properties	2018 Number of properties	2017 Number of properties
Social housing				
General housing				
- social rent	25,266	25,723	25,266	25,723
- affordable rent	2,971	2,988	2,971	2,988
Supported housing and housing for older people	2,998	2,896	2,998	2,896
Low cost home ownership	915	956	915	956
Total owned	32,150	32,563	32,150	32,563
General housing managed for others	120	114	120	114
Supported housing managed for others	23	39	23	39
Leasehold properties	697	726	697	726
Total owned and managed	32,990	33,442	32,990	33,442
Non-social housing				
Non-social housing rent	4	8	4	8
Market rented	30	30	30	30
Student accommodation	81	81	81	81
Non-social housing leasehold	72	44	72	44
	187	163	187	163
Other property types				
Commercial units	175	166	175	166
Garages	3,298	3,313	3,298	3,313
Garage sites	257	267	257	267
	3,730	3,746	3,730	3,746
Total owned and managed	36,907	37,351	36,907	37,351

The group owns 84 and leases 30 supported housing units (2017: owned 87 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.

5. Operating surplus

	Group		Association	
				Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
This is arrived after charging/(crediting):				
Depreciation of social housing properties	17,765	18,140	17,765	18,140
Impairment of housing properties	4,363	-	4,363	-
Depreciation of other tangible fixed assets	3,130	2,617	-	2,617
Impairment of other tangible fixed assets	732	-	732	-
Operating lease rentals				
- Land and buildings	348	486	348	486
- Office equipment and computers	128	275	128	275
- Motor vehicles	1,422	833	1,422	833
Auditors' remuneration (excluding VAT)				
- For audit services	72	71	72	71
- For taxation compliance services	18	16	18	15
- For taxation advisory services	12	16	12	16
- For audit-related assurance services	5	5	5	5
- For other assurance services	94	6	94	-

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

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

	Group		Association	Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Housing properties				
Disposal proceeds	6,781	5,617	6,781	5,617
RTA grant received	159	-	159	-
Repayable to the local authority	(458)	(451)	(458)	(451)
Discount repaid	31	-	31	-
Carrying value of fixed assets	(4,995)	(3,935)	(4,995)	(3,935)
Administrative costs of sale	(239)	-	(239)	-
	1,279	1,231	1,279	1,231
Capital grant recycled (note 24)	392	209	392	209
Disposal proceeds fund (note 25)	-	(27)	-	(27)
	1,671	1,413	1,671	1,413
Other tangible fixed assets				
Disposal proceeds	286	-	286	-
Carrying value of fixed assets	(6)	(41)	(6)	(41
	280	(41)	280	(41)
	1,951	1,372	1,951	1,372

7. Interest receivable

	Group		Association	Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Bank interest receivable and similar income	34	176	34	174
	34	176	34	174

8. Interest payable and similar charges

	Group		Association	
				Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	12,358	13,275	12,358	13,275
Amortisation of borrowing costs	41	141	41	141
Interest payable charged to other activities	(106)	(112)	(106)	(112)
Other interest payable	692	269	692	269
	12,985	13,573	12,985	13,573
Interest payable capitalised on housing properties under construction	(1,513)	(1,337)	(1,513)	(1,337)
	11,472	12,236	11,472	12,236

The average interest rate used to determine the amount of finance costs capitalised during the financial year was 4.3% (2017: 4.1%).

9. Employees

Average monthly number of employees:

	Group		Association	Combined
	2018	2017	2018	2017
	Number	Number	Number	Number
Administration	244	190	244	190
Regeneration and development	25	27	25	27
Housing, support and care	1,246	1,245	1,246	1,245
	1,515	1,462	1,515	1,462

Expressed as full time equivalents of 35 or 37 hours per week:

	Group		Association	Combined
	2018	2017	2018	2017
	Number	Number	Number	Number
Administration	232	182	232	182
Regeneration and development	24	26	24	26
Housing, support and care	1,106	1,136	1,106	1,136
	1,362	1,344	1,362	1,344

9. Employees (continued)

Employee costs:

	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	38,582	38,050	38,582	38,050
Social security costs	3,525	3,485	3,525	3,485
Other pension costs	3,508	3,467	3,508	3,467
	45,615	45,002	45,615	45,002
Restructuring costs	2,176	1,300	2,176	1,300
	47,791	46,302	47,791	46,302

Other pension costs exclude current service costs accounted for under section 28 of FRS 102. These service costs amounted to £2,219k for the financial year (2017: £1,028k) for the group and combined association. Payments to the Social Housing Pension Scheme to fund past deficits are also excluded from other pension costs. These payments amount to £633k for the financial year (2017: £609k) for the group and combined association. Payments to the Pensions Trust to fund past deficits of the growth plan are also excluded from other pension costs. These payments amount to £9k for the financial year (2017: £17k) for the group and combined association. Past service deficit payments to the Teesside Pension Fund are also excluded from other pension costs. No payments were made in 2018 (2017: £283k) for the group and combined association.

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

10. Key management personnel

Group and association

Executive directors	Basic salary £'000	Pension contributions £'000	2018 Total £'000	2017 Total £'000
Ian Wardle (from 4 July 2016)	162	26	188	137
Barbara Heather Ashton	130	21	151	146
Russell Thompson	129	13	142	140
Christine Smith	126	20	146	127
Martin Hawthorne (to 30 June 2017)	30	5	35	129
Dave Pickard (to 30 June 2017)	30	3	33	135
Alison Thain (to 30 June 2016)	-	-	-	43
	607	88	695	857

During the year, the Group Chief Executive Ian Wardle was a member of the Local Government Pension scheme. In the previous year the outgoing Group Chief Executive, Alison Thain, was a member of the Social Housing Pension Scheme. Both were ordinary members of the pension schemes and no enhanced or special terms applied. The group did not make any further contribution to an individual pension arrangement for the Group Chief Executive.

During the year, a total of £148,574 was paid to executive directors in respect of loss of office (2017: nil).

The emoluments of the highest paid director, excluding pension contributions, were £161,600 (2017: £128,124).

The full time equivalent number of staff who received emoluments:

Group and association	2018 Number	2017 Number
£60,000 to £70,000	1	-
£70,001 to £80,000	2	5
£80,001 to £90,000	5	6
£90,001 to £100,000	2	-
£100,001 to £110,000	1	-
£110,001 to £120,000	1	-
£120,001 to £130,000	-	2
£130,001 to £140,000	1	2
£140,001 to £150,000	2	2
£150,001 to £160,000	1	-
£180,001 to £190,000	1	-

10. Key management personnel (continued)

Non-executive directors

Emoluments paid to non-executive directors of the group amounted to £119,220 (2017: £172,583) and reimbursement for expenses amounted to £5,870 (2017: £4,194). An analysis of these payments are shown below:

	Basic salary £'000	Expenses £'000	2018 Total £'000	2017 Total £'000
Nadeem Ahmed	2	-	2	2
Kiersten Avery (from 24 January 2018)	1	-	1	-
Helen Batey	1	-	1	4
Clare Brayson	12	1	13	12
Michael Bretherick	1	-	1	4
Moira Britton (to 17 August 2016)	-	-	-	2
Ian Brown	1	-	1	2
David Cheetham (to 6 September 2016)	-	-	-	1
Annette Clark	12	1	13	12
Julie Clarke	8	-	8	12
Brian Dinsdale	9	-	9	12
Margaret Fay (to 30 June 2017)	3	-	3	12
George Garlick	20	-	20	20
Miriam Harte	4	-	4	4
Tracey Harvey	1	-	1	4
Keith Hurst	3	-	3	4
Stan Irwin (to 31 March 2017)	-	-	-	8
James Johnsone	1	-	1	4
Carla Keegans	3	-	3	4
Andrew Lean	12	2	14	13
Zoe Lewis (from 8 January 2018)	1	-	1	-
Laura Mack (from 24 January 2018)	1	-	1	-
Hugh McGouran	1	-	1	4
Pamela McIvor	1	-	1	4
Steve Nelson (from 25 October 2017)	6	-	6	-
Neil Pattison	2	-	2	2
Gill Rollings (to 30 June 2017)	2	-	2	9
Mark Simpson	9	-	9	12
Christine Storrs (from 11 October 2017)	2	-	2	-
Mick Thompson	1	-	1	4
Michelle Tierney	1	-	1	4
Other expenses less than £500	(2)	2	-	2
	119	6	125	17

11. Tax on surplus on ordinary activities

	Group		Association	
	2018	2017	2018	2017
Current tax	£'000	£'000	£'000	£'000
UK corporation tax on profits for the year	6	-	6	-
Adjustments in respect of prior years	1	-	-	-
Total current tax charge	7	-	6	-
Deferred tax				
Origination & reversal of timing differences	(9)	-	-	-
Effect of changes in tax rates	1	-	-	-
Total deferred tax charge/(credit)	(8)	-	-	-
Total tax on (loss)/profit on ordinary activities	(1)	-	6	-

Factors affecting tax charge for the current year

The tax charge for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation	27,658	37,520	27,658	37,540
Tax on surplus at standard UK tax rate of 19% (2017: 20%)	5,255	7,504	5,255	7,508
Effects of:				
Charitable activities not taxable	(5,249)	(7,504)	(5,249)	(7,508)
Expenses not deductible for tax purposes	-	8	-	8
Movement in short term timing differences	-	110	-	110
Utilisation of tax losses	-	(9)	-	(9)
Changes in tax rates	1	-	-	-
Adjustment in respect of previous years	1	-	-	-
Items charged elsewhere	-	(109)	-	(109)
Income not taxable	(9)	-	-	-
Total current tax (credit)/charge for the financial year	(1)	-	6	-
Corporation Tax Liability	6	-	6	-

11. Tax on surplus on ordinary activities (continued)

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Deferred tax (asset)/liability				
Short term timing differences	(8)	-	-	-
Deferred tax:				
1 April 2017	-	-	-	-
Credit to the income statement	(8)	-	-	-
31 March 2018	(8)	-	-	-

12. Tangible fixed assets – housing properties

Group

	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total housing properties £'000
Historical or deemed cost					
At 1 April 2017	919,666	56,541	52,901	6,075	1,035,183
Additions	-	21,180	-	6,275	27,455
Works to existing properties	12,993	581	-	-	13,574
Interest capitalised	-	1,247	-	266	1,513
Schemes completed	4,813	(4,813)	1,121	(1,121)	-
Disposals	(4,297)	-	(1,839)	-	(6,136)
Transfers from other fixed assets	1,115	240	-	-	1,355
Transfer to current assets	-	(4,263)	(103)	(2,629)	(6,995)
Transfer to investment property	(2,308)	-	-	-	(2,308)
At 31 March 2018	931,982	70,713	52,080	8,866	1,063,641
Accumulated depreciation and impairment					
At 1 April 2017	75,088	3,795	4,452	169	83,504
Depreciation charged in year	17,234	-	531	-	17,765
Impairment charged in year	4,293	-	70	-	4,363
Depreciation released on disposal	(1,299)	-	(243)	-	(1,542)
Transfers from other fixed assets	190	-	-	-	190
Transfer to investment property	(125)	-	-	-	(125)
At 31 March 2018	95,381	3,795	4,810	169	104,155
Net book value					
At 31 March 2018	836,601	66,918	47,270	8,697	959,486
At 31 March 2017	844,578	52,746	48,449	5,906	951,679

12. Tangible fixed assets – housing properties (continued)

Association

	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total housing properties £'000
Historical or deemed cost					
Combined at 1 April 2017	919,715	56,541	52,901	6,075	1,035,232
Additions	-	21,180	-	6,275	27,455
Works to existing properties	12,944	581	-	-	13,525
Interest capitalised	-	1,247	-	266	1,513
Schemes completed	4,813	(4,813)	1,121	(1,121)	-
Disposals	(4,297)	-	(1,839)	-	(6,136)
Transfer from other fixed assets	1,115	240	-	-	1,355
Transfer to current assets	-	(4,263)	(103)	(2,629)	(6,995)
Transfer to investment property	(2,308)	-	-	-	(2,308)
At 31 March 2018	931,982	70,713	52,080	8,866	1,063,641
Accumulated depreciation and impairment					
Combined at 1 April 2017	75,088	3,795	4,452	169	83,504
Depreciation charged in year	17,234	-	531	-	17,765
Impairment charged in year	4,293	-	70	-	4,363
Depreciation released on disposal	(1,299)	-	(243)	-	(1,542)
Transfer from other fixed assets	190	-	-	-	190
Transfer to investment property	(125)	-	-	-	(125)
At 31 March 2018	95,381	3,795	4,810	169	104,155
Net book value					
At 31 March 2018	836,601	66,918	47,270	8,697	959,486
Combined at 31 March 2017	844,627	52,746	48,449	5,906	951,728

12. Tangible fixed assets – housing properties (continued)

Social Housing assistance

Total accumulated social housing grant receivable at 31 March was:

	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts held as deferred income	120,753	115,956	120,753	115,956
Amounts charged to income and expenditure	72,092	70,971	72,092	70,971
	192,845	186,927	192,845	186,927

Housing properties book value, net of depreciation

	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Freehold land and buildings	944,042	934,699	944,042	934,699
Long leasehold land and buildings	14,828	16,326	14,828	16,326
Short leasehold land and buildings	616	654	616	654
	959,486	951,679	959,486	951,679

Expenditure on works to existing properties

	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Components capitalised to property assets	13,525	14,635	13,525	14,635
Components capitalised to other fixed assets	880	896	880	896
Amounts charged to income and expenditure account	19,401	23,493	19,387	23,493
	33,806	39,024	33,792	39,024

Impairment

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

An impairment provision of £4.4 million was made in 2018 (2017: £nil) following the strategic decision by the board to rationalise high-rise properties. 5 high-rise properties have been identified for demolition and redevelopment.

13. Tangible fixed assets - other

Group and association

	Freehold land and buildings £'000	Furniture fittings and ICT / office equipment £'000	Other plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2017	33,636	27,041	2,193	1,203	64,073
Additions	-	832	48	-	880
Disposals	-	-	-	(1,036)	(1,036)
Transfers	(1,115)	(447)	207	-	(1,355)
At 31 March 2018	32,521	27,426	2,448	167	62,562
Accumulated depreciation					
At 1 April 2017	1,742	12,958	600	1,064	16,364
Charged in year	735	2,222	41	132	3,130
Impairment adjustment	-	677	55	-	732
Released on disposal	-	-	-	(1,031)	(1,031)
Transfers	(190)	-	-	-	(190)
At 31 March 2018	2,287	15,857	696	165	19,005
Net book value					
At 31 March 2018	30,234	11,569	1,752	2	43,557
At 31 March 2017	31,894	14,083	1,593	139	47,709

Thirteen Housing Group (the parent) was non asset-owning during 2017. The ownership of tangible fixed assets was transferred to Thirteen Housing Group from the dissolved subsidiary companies during 2018.

Impairment

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

An impairment provision of £0.7million was made in 2018 (2017: £0.3 million). The impairment in the current year is in relation to the lifts in the high-rise blocks as described in note 12.

14. Investment properties

	Group		Association	Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April	2,410	2,410	2,410	2,410
Transfer from housing properties	2,183	-	2,183	-
Fair value adjustment	(823)	-	(823)	-
At 31 March	3,770	2,410	3,770	2,410

Investment properties were valued as at 31 March 2018 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

Shared Equity and Homebuy Direct Loans	Group		Association	Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April	1,101	1,101	1,101	1,101
Loans repaid	(54)	-	(54)	-
At 31 March	1,047	1,101	1,047	1,101

16. Financial assets

Financial Investment in Woodside Homes Limited	Group		Association	Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April	1	1	-	-
Transferred in	-	-	-	-
At 31 March	1	1	-	-

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

17. Investments in subsidiaries

Association

	£'000
Cost	
At 1 April 2017	38
Additions	12
At 31 March 2018	50

The Association has the following investment in subsidiaries:

	Aggregate of capital and reserves £'000	Profit or loss for the year £'000	Country of incoporation	Class of shares held	Ownership 2018	Ownership 2017
Thirteen Homes Limited	(38)	(48)	England	Ordinary	100%	100%
Thirteen Commercial Services Limited	(1)	188	England	Ordinary	100%	76%
Thirteen Property Development Limited	-	-	England	Ordinary	100%	100%
Thirteen Social Enterprises Limited	-	-	England	Ordinary	100%	100%

As required by statute, the financial statements consolidate the results of Thirteen Homes Limited, Thirteen Commercial Services Limited, Thirteen Property Development Limited and Thirteen Social Enterprises Limited which were directly owned subsidiaries of the association at the end of the financial year.The registered address for all entities is Northshore, North Shore Road, Stockton-on-Tees, TS18 2NB.

The association has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them. Thirteen Social Enterprises Limited and Thirteen Property Development Limited were dormant throughout the financial year. During the financial year Thirteen Housing Group was the ultimate parent.

Thirteen Property Development Limited, Thirteen Homes Limited, Thirteen Commercial Services Limited and Thirteen Social Enterprises Limited are not registered providers of social housing.

17. Investments in subsidiaries (continued)

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

	Service provided	Cost allocation basis	2018 £'000	2017 £'000
Thirteen Commercial Services	Management services	Assessment of usage	120	6
Thirteen Commercial Services	Repair and cleaning services	Actual usage	20	-
Thirteen Homes Limited	Management services	Assessment of usage	34	-
			174	6

In addition, Thirteen Commercial Services Limited provided services to the association as follows:

	Service provided	Cost allocation basis	2018 £'000	2017 £'000
Thirteen Housing Group Limited	Management Services	Agreed fixed fee	68	-
			68	-

18. Properties for sale

	Group		Association	Combined
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Properties completed for sale	1,227	1,604	1,227	1,604
Properties in development for sale	10,875	4,795	10,875	4,795
	12,102	6,399	12,102	6,399

19. Debtors

	Group		Association	Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charges receivable	10,819	10,130	10,796	10,130
Less: provision for bad and doubtful debts	(4,205)	(2,349)	(4,187)	(2,349)
Net rental debtors	6,614	7,781	6,609	7,781
Other tenant debtors	463	391	463	391
Less: provision for bad and doubtful debts	(451)	(375)	(451)	(375)
Sales ledger debtors	1,323	1,338	1,307	1,338
Less: provision for bad and doubtful debts	(671)	(524)	(664)	(524)
Capital grants receivable	675	-	675	-
Revenue grants receivable	15	21	15	21
Development debtors	5	20	5	20
VAT reclaimable	552	1,331	551	1,331
Loan to Whitby Network	13	12	13	12
Amounts owed by group undertakings	-	-	273	-
Trade and other debtors	108	728	101	728
Prepayments and accrued income	5,201	6,434	5,153	6,434
	13,847	17,157	14,050	17,157
Due after more than one year				
Private landlord empty homes management215	215	203	215	203
Loan to Whitby Network	17	31	17	31
	14,079	17,391	14,282	17,391

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 July 2020.

20. Cash and cash equivalents

	Group		Association	Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Money market deposits	582	6,315	582	6,315
Deposit accounts	1,399	13,808	1,399	13,808
Leaseholders' trust account	251	251	251	251
Cash at bank and in hand	5,182	10,975	4,700	10,774
	7,414	31,349	6,932	31,148

21. Creditors: amounts falling due within one year

	Group		Association	Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Debt (note 26)	5,442	3,579	5,442	3,579
Rent and service charges received in advance	3,456	3,255	3,449	3,255
Social housing grant received in advance	7,131	6,638	7,131	6,638
Deferred capital grant	1,216	893	1,216	893
Development creditors	2,552	4,084	2,552	4,084
VAT payable	-	19	-	19
Corporation tax	6	-	6	-
Other taxation and social security	911	852	911	852
Other creditors	5,454	8,889	5,454	8,889
Accruals and deferred income	9,495	9,758	9,379	9,755
	35,663	37,967	35,540	37,964

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

	Group		Association Combined	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Debt (note 26)	239,968	286,020	239,968	286,020
Borrowing costs unamortised	(541)	(582)	(541)	(582)
Deferred capital grant	112,406	111,213	112,406	111,213
Recycled capital grant fund (note 24)	1,108	703	1,108	703
Disposals proceeds fund (note 25)	863	863	863	863
	353,804	398,217	353,804	398,217

23. Deferred capital grant

	Group		Association Combined	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April	112,106	108,209	112,106	108,209
Grant received in the year	3,042	5,258	3,042	5,258
Released to income in the year	(1,121)	(1,343)	(1,121)	(1,343)
Grant transferred from disposal proceeds fund	-	566	-	566
Adjustment	-	(81)	-	(81)
Released to the RCGF on disposal	(405)	(503)	(405)	(503)
At 31 March	113,622	112,106	113,622	112,106

	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Amounts to be released within one year	1,216	893	1,216	893
Amounts to be released in more than one year	112,406	111,213	112,406	111,213
	113,622	112,106	113,622	112,106

24. Recycled capital grant fund

Funds pertaining to activities within areas covered by the Regulator of Social Housing (RSH):		Group		Association Combined	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April		703	303	703	303
Inputs to the RCGF:	Grant Recycled	244	209	244	209
	Interest accrued	-	-	-	-
	Outright sales	161	191	161	191
Recycling of grant:	New build	-	-	-	-
Repayment of grant to the RSH		-	-	-	-
At 31 March		1,108	703	1,108	703
Amounts 3 years old or older		373	35	373	35

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

25. Disposal proceeds fund

Funds pertaining to activities within areas covered by the Regulator of Social Housing (RSH):		Group		Association Combined	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April		863	1,402	863	1,402
Inputs to DPF:	Funds recycled	-	27	-	27
	Interest accrued	-	-	-	-
Transfer to deferred capital grant		-	(566)	-	(566)
Repayment of funds to the RSH		-	-	-	-
At 31 March		863	863	863	863
Amounts 3 years old or older		677	734	677	734

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

26. Debt analysis

Housing loans	Group 2018 £'000	Group 2017 £'000	Association Combined 2018 £'000	Association Combined 2017 £'000
Debt profile				
Accrued interest	1,575	1,325	1,575	1,325
Bank and building society loans at fixed rates of interest	184,054	187,376	184,054	187,376
Bank and building society loans at variable rates of interest	59,781	100,898	59,781	100,898
	245,410	289,599	245,410	289,599

Terms of repayment and interest rates

The fixed rates of interest are between 3.63% and 11.77%.

The variable rates of interest up to 1.75% over LIBOR.

Final instalments fall to be repaid in the period from 2019 to 2039.

Debt is repayable as follows:

	Group 2018 £'000	Group 2017 £'000	Association Combined 2018 £'000	Association Combined 2017 £'000
Within one year or on demand	5,442	3,579	5,442	3,579
One year or more but less than two years	2,309	11,318	2,309	11,318
Two years or more but less than five years	5,481	53,228	5,481	53,228
Five years or more	232,178	221,474	232,178	221,474
	245,410	289,599	245,410	289,599

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

As at 31 March 2018 the group had undrawn loan facilities of £120.7 million (2017: £91.6 million).

27. Non-equity share capital

Group and association

Shares of £1 each issued and fully paid	2018 £	2017 £
At 1 April	12	12
Shares surrendered during the financial year	(3)	-
Shares issued during the financial year	2	-
At 31 March	11	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	2018 £'000	2017 £'000
Minority interest in Thirteen Commercial Services Limited	-	12

28. 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
- Aegon: a defined contribution pension scheme

The Pensions Trust - Social Housing Pension Scheme

The association participates in the scheme, a multi-employer scheme which provides benefits to 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the association 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 association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, 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 4.7% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	**£31.7million per annum** (payable monthly and increasing by 4.7% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement the association 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.

28. Pension provisions (continued)

The Pensions Trust - Social Housing Pension Scheme (continued)

Present values of provision	Group 2018 £'000	Group 2017 £'000	Association Combined 2018 £'000	Association Combined 2017 £'000
Present value of provision	3,757	4,387	3,757	4,387

Reconcilliation of opening and closing provisions	Group 2018 £'000	Group 2017 £'000	Association Combined 2018 £'000	Association Combined 2017 £'000
Provision at start of year	4,387	4,785	4,387	4,785
Unwinding of the discount factor (interest expense)	53	92	53	92
Deficit contribution paid	(633)	(609)	(633)	(609)
Remeasurements - impact of any change in assumptions	(50)	119	(50)	119
Provision at end of year	3,757	4,387	3,757	4,387

Income and expenditure impact	Group 2018 £'000	Group 2017 £'000	Association Combined 2018 £'000	Association Combined 2017 £'000
Interest expense	53	92	53	92
Remeasurements - impact of any change in assumptions	(50)	119	(50)	119
Contributions paid in respect of future service	972	1,008	972	1,008
Costs recognised in income and expenditure account	975	1,219	975	1,219

Assumptions	Group 2018 % per annum	Group 2017 % per annum	Association Combined 2018 % per annum	Association Combined 2017 % per annum
Rate of discount	1.72	1.33	1.72	1.33

28. Pension provisions (continued)

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 association 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 valuation showed assets of £780m, liabilities of £928m and a deficit of £148m.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This actuarial valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. 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 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 association 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.

28. Pension provisions (continued)

The Pensions Trust – The Growth Plan (continued)

Present values of provision	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Present value of provision	29	169	29	169

Reconcilliation of opening and closing provisions	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Provision at start of year	169	182	169	182
Unwinding of the discount factor (interest expense)	1	3	1	3
Deficit contribution paid	(9)	(20)	(9)	(20)
Pension debt realised	(132)	-	(132)	-
Remeasurements - impact of any change in assumptions	-	4	-	4
Provision at end of year	29	169	29	169

Income and expenditure impact	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest expense	1	3	1	3
Remeasurements - impact of any change in assumptions	-	4	-	4
Contributions paid in respect of future service	-	7	-	7
Pension debt realised	(132)	1	(132)	-
Costs recognised in income and expenditure account	(131)	14	(131)	14

Assumptions	Group		Association Combined	
	2018 % per annum	2017 % per annum	2018 % per annum	2017 % per annum
Rate of discount	1.71	1.33	1.71	1.33

28. Pension provisions (continued)

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 2016.

The employer's contributions to the Teesside Pension Fund by the group for the year ended 31 March 2018 were £2.8m (2017: £3.2m), made up as follows:

Employer	Contributions 2018 £'000	2017 £'000	Contribution rate 2018 %	2017 %
Thirteen Housing Group Limited	2,765	255	16.0	17.9
Erimus Housing Limited	n/a	880	n/a	15.3
Housing Hartlepool n/a	n/a	856	n/a	14.8
Tristar Homes Limited	n/a	1,211	n/a	14.8

	31 March 2018 % per annum	31 March 2017 % per annum
Discount rate	2.6	2.6
RPI price inflation	3.2	3.1
CPI price inflation	2.1	2.0
Pension increases	2.1	2.0
Pension accounts revaluation rate	2.1	2.0
Salary increases	3.1	3.0

Contribution rates are fixed until 31 March 2020.

Mortality assumptions

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

Future lifetime from age 65:		31 March 2018 No. of years	31 March 2017 No. of years
Aged 65 at accounting date	Males	22.9	22.8
	Females	25.0	24.9
Aged 45 at accounting date	Males	25.1	25.0
	Females	27.3	27.2

28. Pension provisions (continued)

Teesside Pension Fund (continued)

Breakdown of amounts recognised in profit and loss

	Group		Association Combined	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Current service cost	4,765	3,908	4,765	3,908
Past service cost	396	321	396	321
Curtailments	-	-	-	-
Amounts charged to operating costs	5,161	4,229	5,161	4,229

	Group		Association Combined	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Net interest cost	988	1,343	988	1,343
Amounts charged to other finance costs	988	1,343	988	1,343

Analysis of amounts recognised in other comprehensive income

	Group		Association Combined	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Total actuarial losses	(3,292)	3,227	(3,292)	3,227
Changes in assumptions underlying the present value of scheme liabilities	-	-	-	-
	(3,292)	3,227	(3,292)	3,227
Cumulative actuarial loss	(33,172)	(29,880)	(33,172)	(29,880)

Reconciliation of funded status to balance sheet

	Group		Association Combined	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Present value of scheme liabilities	(210,583)	(200,395)	(210,583)	(200,395)
Fair value of assets	164,632	160,943	164,632	160,943
Net liability recognised in the balance sheet	(45,951)	(39,452)	(45,951)	(39,452)

28. Pension provisions (continued)

Teesside Pension Fund (continued)

Changes to the present value of the defined benefit obligation

	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Opening scheme liabilities	(200,395)	(169,808)	(200,395)	(169,808)
Current service cost	(4,765)	(3,908)	(4,765)	(3,908)
Interest cost	(5,145)	(5,823)	(5,145)	(5,823)
Actuarial (losses)/gains on scheme liabilities	(5,003)	(24,229)	(5,003)	(24,229)
Benefits paid	6,195	4,817	6,195	4,817
Contributions by participants	(1,074)	(1,123)	(1,074)	(1,123)
Past service cost	(396)	(321)	(396)	(321)
Curtailments	-	-	-	-
Closing defined benefit obligation	(210,583)	(200,395)	(210,583)	(200,395

Changes to the fair value of assets

	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Opening fair value of Scheme assets	160,943	129,499	160,943	129,499
Interest income on assets	4,157	4,480	4,157	4,480
Remeasurement gains on assets	1,711	27,456	1,711	27,456
Contributions by employer	2,942	3,202	2,942	3,202
Contributions by participants	1,074	1,123	1,074	1,123
Benefits paid	(6,195)	(4,817)	(6,195)	(4,817)
Closing fair value of scheme assets	164,632	160,943	164,632	160,943

Aegon

The Aegon pension scheme is a defined contribution scheme. The cost of the scheme is equal to the employer contributions payable in the year. During the year contributions of £66,999 (2017: £201,161) were made to the scheme.

29. Capital commitments

Capital expenditure commitments were as follows:

	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Expenditure contracted for, but not provided for in the financial statements	57,356	48,094	57,356	48,094
Expenditure authorised by the board, but not contracted	46,579	148,855	46,579	148,855
	103,935	196,949	103,935	196,949

Expenditure authorised by the board but not contracted includes capital major repairs works of £13.6m. The capital commitments for the development of new property assets will be financed from the association's through borrowing from approved loan facilities (£27.0m) and social housing grants (£76.2m). The balance of funding is determined as the new development schemes occur and commitments are realised.

30. 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 2016. As of this date the estimated employer debt for the group was £45.8m. No provision has been made in the financial statements for this amount as the possibility of the liability arising is considered to be remote.

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 £0.5m. 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. Should the consortium fail, the group is liable for up to £1m 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.

31. Net cash generated from operating activities

Group	2018 £'000	2017 £'000
Surplus for the year	27,658	37,520
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	20,895	20,757
Impairment of tangible fixed assets	5,095	(259)
Amortisation of social housing grant	1,103	1,109
(Surplus)/deficit on sale of housing properties	(1,159)	122
Pension costs less contributions payable	2,219	1,027
Pension finance costs	1,041	1,439
Pension deficit payments	(773)	(630)
Accelerated depreciation on disposal	(402)	2,372
Carrying amount of tangible fixed asset disposals	5,001	3,976
(Increase)/decrease in properties for outright sale	(4,544)	3,566
Decrease in stock	-	198
Decrease in debtors	3,298	552
Decrease in creditors	(4,174)	(5,622
Adjustments for investing or financing activities:		
Proceeds from sale of tangible fixed assets	(6,952)	(5,348)
Interest payable	12,242	12,140
Interest receivable	(34)	(176)
Net cash generated from operating activities	60,514	72,743

32. Operating leases

Operating leases where the group and association is the lessee

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

	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Land and buildings - housing properties				
Payments due:				
Not later than one year	242	259	242	259
Later than one year and not later than five years	724	830	724	830
Later than five years	519	675	519	675
	1,485	1,764	1,485	1,764
Land and buildings - other				
Payments due:				
Not later than one year	99	128	99	128
Later than one year and not later than five years	376	212	376	212
Later than five years	40	59	40	59
	515	399	515	399
Office and other equipment				
Payments due:				
Not later than one year	141	94	141	94
Later than one year and not later than five years	142	163	142	163
Later than five years	-	17	-	17
	283	274	283	274
Motor vehicles				
Payments due:				
Not later than one year	1,462	524	1,462	524
Later than one year and not later than five years	5,006	-	5,006	-
Later than five years	-	-	-	-
	6,468	524	6,468	524

32. Operating leases

Operating leases where the group and association is the lessee (continued)

Housing property leases relate to properties leased from private landlords. There are no purchase options. The final lease expires in March 2028.

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

Other equipment leases relate to laundry equipment, grounds maintenance equipment, photocopiers and franking machines. There are no purchase options. The final lease expires in December 2022.

Motor vehicles leases relate to vans and cars. There are no purchase options. The final lease expires in December 2022.

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.

32. Operating leases (continued)

Operating leases where the group and association 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		Association	Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Land and buildings - housing properties				
Payments due:				
Not later than one year	118	109	118	109
Later than one year and not later than five years	429	443	429	443
Later than five years	655	713	655	713
	1,202	1,265	1,202	1,265

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

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:

	Group		Association	Combined
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Land and buildings - other				
Payments due:				
Not later than one year	184	242	184	242
Later than one year and not later than five years	350	389	350	389
Later than five years	40	123	40	123
	574	754	574	754

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.

32. Operating leases (continued)

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 RSH.

Payments under these operating leases include both lease rental payments and service charges. Rents are set at either a target social rent using the RSH 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 RSH 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 RSH.

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 RSH 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 leasee 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 RSH.

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 RSH.

32. Operating leases (continued)

Social housing - general needs, supported housing and housing for older people (continued)

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 RSH.

As at 31 March 2018, there were 33,457 (2017: 32,707) 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 RSH 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 2018, there were 628 (2017: 589) 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 2018, there were 697 (2017: 748) leases in place.

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 2018, there were 146 (2017: 146) LSE leases in place.

32. Operating leases (continued)

Social housing - general needs, supported housing and housing for older people (continued)

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 ran initially until September 2017 with an option to extend for two years.

Garages

As at 31 March 2018, the group leased 2,816 (2017: 3,277) garages to third parties on a cancellable basis.

33. Related party transactions

Group

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 28. The balances included in creditors for the Pensions Trust is £213,040 (2017: £150,488), the Teesside Pension Fund is £304,344 (2017: £302,987) and Aegon is £8,045 (2017 £9,651).

The association has applied the exemptions available under paragraph 33.1A of FRS 102 not to disclose transactions with other group companies. Transactions between unregistered group companies are disclosed in Note 17.

34. Agreements to improve existing properties

Group

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

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

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

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

At the point of entering the agreement, the estimated value of the improvements for Erimus Housing Limited was £185m. At 31 March 2018 these works were substantially complete, although the agreement allows Erimus Housing Limited to continue to reclaim VAT on qualifying work within the agreed recovery period.

34. Agreements to improve existing properties (continued)

Group

At the point of entering the agreement, the estimated value of the improvements for Housing Hartlepool was £86m. At 31 March 2018 these works were substantially complete, although the agreement allows Housing Hartlepool to continue to reclaim VAT on qualifying work within the agreed recovery period.

At the point of entering the agreement, the estimated value of the improvements for Tristar Homes Limited was £217m. At 31 March 2018 the value of invoiced work on which VAT had been reclaimed was £101m (2017: £95m).

35. Joint ventures

Group

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

During the year ending 31 March 2018, the association had made no further payments (2017: £0.2m) in relation to the investment fund.

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

During the year ended 31 March 2018, the association had made no further payments (2017: £2.3m) in relation to the investment fund.

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

36. Financial assets and liabilities

	Group		Association Combined	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Categories of financial assets and liabilities				
Financial assets that are debt instruments measured at amortised cost	21,486	48,740	21,264	48,577
Financial assets that are equity instruments measured at cost less impairment	1	1	-	-
Financial liabilities measured at amortised cost	(277,200)	(323,987)	(277,077)	(323,984)
	(255,713)	(275,246)	(255,813)	(275,407)

The group'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 19 and 20.

Financial liabilities held at amortised cost are the association's debt and creditors. Details behind the debt instrument conditions, interest charges and repayment terms can be found in note 26.

37. Ultimate parent undertakings and controlling party

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

Thirteen Housing Group Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2018. The consolidated financial statements of Thirteen Housing Group Limited are available from the group's registered office at Northshore, North Shore Road, Stockton-on-Tees TS18 2NB.

38. Merger of businesses

On 1 July 2017, Erimus Housing Limited, Housing Hartlepool, Tees Valley Housing Limited, Tristar Homes Limited and Thirteen Care and Support Limited transferred their engagements to Thirteen Housing Group Limited. The group reconstruction has been accounted for as a merger, in accordance with sections 19.27 to 19.33 of FRS 102 and, as the group is a Public Benefit Entity, sections PBE 34.80 to PBE 34.86 of FRS 102.

The merged entities were as follows:

Thirteen Housing Group Limited

Erimus Housing Limited

Housing Hartlepool

Tees Valley Housing Limited

Tristar Homes Limited

Thirteen Care and Support Limited

Thirteen Commercial Services Limited (formerly a wholly owned subsidiary of Tees Valley Housing Limited and Thirteen Homes Limited (formerly a wholly owned subsidiary of Erimus Housing Limited) became subsidiaries of Thirteen Housing Group Limited.

The aggregate carrying value of the net assets of each entity as at 30 June 2017 were as follows:

	£'000
Thirteen Housing Group Limited	(2,107)
Erimus Housing Limited	254,599
Housing Hartlepool	121,779
Tees Valley Housing Limited	84,601
Tristar Homes Limited	134,196
Thirteen Care and Support Limited	1,187
	594,255

39. Merger of businesses (continued)

The current year's total comprehensive income is analysed as follows:

	Thirteen Housing Group Limited to 30 June 2017 £'000	Erimus Housing Limited to 30 June 2017 £'000	Housing Hartlepool to 30 June 2017 £'000	Tees Valley Housing Limited to 30 June 2017 £'000	Tristar Homes Limited to 30 June 2017 £'000	Thirteen Care & Support Limited to 30 June 2017 £'000	Combined entity from 1 July 2017 £'000	Total for combined entity for full year £'000
Turnover	-	12,900	8,693	5,736	11,150	1,093	119,876	159,448
Operating expenditure	-	(7,444)	(4,301)	(2,529)	(5,581)	(995)	(99,782)	(120,632)
Operating surplus	-	5,456	4,392	3,207	5,569	98	20,094	38,816
Gain on disposal of fixed assets	-	144	47	124	219	(13)	1,430	1,951
Change in valuation of investment properties	-	-	-	-	-	-	(823)	(823)
Interest receivable	-	8	-	5	-	-	21	34
Interest payable and similar charges	-	(935)	(572)	(651)	(579)	-	(8,735)	(11,472)
Other finance costs	-	-	-	-	-	-	(988)	(988)
Gift Aid	-	-	-	-	-	-	140	140
Surplus on ordinary activities before taxation	-	4,673	3,867	2,685	5,209	85	11,139	27,658
Tax on result on ordinary activities	-	-	-	-	-	-	-	-
Surplus for the year	-	4,673	3,867	2,685	5,209	85	11,139	27,658
Actuarial (loss)/gain in respect of pension schemes	-	-	-	-	-	-	(3,292)	(3,292)
Remeasurement loss in respect of pension scheme	-	-	-	-	-	-	50	50
Total comprehensive income for the year	-	4,673	3,867	2,685	5,209	85	7,897	24,416

39. Merger of businesses (continued)

The previous year's total comprehensive income is analysed as follows:

	Thirteen Housing Group Limited 2017 £'000	Erimus Housing Limited 2017 £'000	Housing Hartlepool 2017 £'000	Tees Valley Housing Limited 2017 £'000	Tristar Homes Limited 2017 £'000	Thirteen Care & Support Limited 2017 £'000	Total for combined entity 2017 £'000
Turnover	723	53,127	35,868	23,401	46,520	5,347	164,986
Operating expenditure	(674)	(34,511)	(22,833)	(15,618)	(35,938)	(5,858)	(115,432)
Operating surplus	49	18,616	13,035	7,783	10,582	(511)	49,554
Gain on disposal of fixed assets	-	211	112	129	920	-	1,372
Interest receivable	8	60	15	77	14	-	174
Interest payable and similar charges	(18)	(4,012)	(2,984)	(2,833)	(2,386)	(3)	(12,236)
Other finance costs	(40)	(403)	(407)	-	(493)	-	(1,343)
Gift Aid	-	19	-	-	-	-	19
Surplus on ordinary activities before taxation	(1)	14,491	9,771	5,156	8,637	(514)	37,540
Tax on result on ordinary activities	-	-	-	-	-	-	-
Surplus for the year	(1)	14,491	9,771	5,156	8,637	(514)	37,540
Actuarial (loss)/gain in respect of pension schemes	(525)	3,098	229	-	425	-	3,227
Remeasurement loss in respect of pension scheme	(19)	(12)	(7)	(81)	-	(4)	(123)
Total comprehensive (expense)/income for the year	(545)	17,577	9,993	5,075	9,062	(518)	40,644

Board Members, Executive Directors, Advisors and Bankers

Registered Numbers
Registered as a community benefit society under the Co-operative and Community Benefit Societies Act 2014, number 7522
Registered by the Homes and Communities Agency, number L4522

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

Board

Chair	George Garlick
Senior Independent Director	Margaret Fay (resigned 30 June 2017)

Other Members

Alison Thain (resigned 30 June 2016)	Mark Simpson
Ian Wardle (appointed 4 July 2016)	Julie Clarke
Andrew Lean	Brian Dinsdale
Stan Irwin (resigned 31 March 2017)	Clare Brayson
Gill Rollings (resigned 30 June 2017)	Steve Nelson (appointed 1 July 2017)

Executive Directors

Group Chief Executive	Ian Wardle (appointed 4 July 2016)
	Alison Thain (resigned 30 June 2016)
Secretary and Executive Director of Resources	Barbara Heather Ashton
Executive Director of Service Delivery and Development	Christine Smith
Executive Director of Property Services	Russell Thompson
Group Director of Development & Regeneration	Martin Hawthorne (resigned 30 June 2017)
Group Director of Operations	Dave Pickard (resigned 30 June 2017)

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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