thirteen

Managing and building homes

# Annual Report and Financial Statements 2018/19





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# Chairman's Introduction

**George Garlick**
Chair of Thirteen Board

We ended the previous financial year with Brexit ahead of us, not knowing what this would bring, unaware that a year later, the position would be largely unchanged with the uncertainly still facing us.

Despite this massive change still looming, there has been much to focus on in the last year, from responding to government consultation to delivering on our priorities and key promises.

We're really committed to our main purpose at Thirteen – being a great housing association - and our customers are telling us that's what we're living up to, with nine out of ten satisfied with their home and the same amount happy that their rent provides value for money.

With that in mind, this year we'll be telling our story more and highlighting some of the great work we constantly deliver as part of our strategic plan. We continued to make real headway with the delivery of our strategic plan, concentrating on key projects as part of our four business priorities, much of which is detailed later in this report.

The Housing Green Paper came after the horrific Grenfell Tower tragedy in 2017, unsurprisingly making a call for an even more robust approach to ensure homes are safe and decent. I am pleased to say that our work to replace the partial aluminium composite material (ACM) cladding at our Kennedy Gardens high-rise in Billingham was completed in the 2018/19 year and we continued with our commitment to fire safety with a range of actions that are continuing.

Expanding supply and supporting home ownership was another key theme in the green paper and we were delighted to be named during the year as a Wave Partner by Homes England, which will further extend our range of affordable homes that are in the pipeline across the Tees Valley and beyond.

We also launched a range of new products - our BuyIn range - giving more people the chance to get onto the housing ladder by offering different ways to buy different housing products at a much lower price.

In addition to affordable homes, we started to recruit to our new Thirteen Homes subsidiary company, which will build homes for outright sale to make profit to reinvest back into the business. A number of sites are currently being sourced to bring hundreds of new homes to fruition, in addition to our existing affordable new build portfolio.

An extra highlight was bringing Gus Robinson Developments into the Thirteen Group, a North East builder which is committed to building more new homes not just for Thirteen, but for other providers in the North East to add to our growing and much-needed supply.

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

All that delivered by our team of committed colleagues, who are ever-passionate about the work of Thirteen and the customers they serve, both internal and external. None of our achievements would have been possible without them, driven in the background by great leadership and a board of dedicated directors.

My thanks go to them for helping us go from strength to strength and I look forward to the following year with optimism, ambition and pride.



Annual Report and Financial Statements 2018/19

> "This year we'll be telling our story more and highlighting some of the great work we constantly deliver as part of our strategic plan."

# Group Chief Executive's Statement

**Ian Wardle**
Group Chief Executive

The last year has seen us make a great deal of progress as our new operating model and reviewed staffing structures began to fully bed in.

The heart of what we do lies within neighbourhoods, from letting homes and building new ones, to connecting with customers and delivering mainstream as well as support services, to dealing with issues and overcoming problems.

That's why our neighbourhood teams now operate at the centre of every community and are the key connection with the estates and areas they serve, bringing back vital feedback and information to help us understand where we need to concentrate more effort, further improve and try out new solutions locally.

With the size of each neighbourhood now halved and each with its own specialist coordinator, we're already reaping the benefits of this new way of working. Relationships have been forged or enhanced and performance in areas is improving, in turn leading to happier, healthier communities.

Working in this way isn't just about our neighbourhood teams. From determining where to build new homes, to deciding where environmental improvements are needed, to honing in on where we need to provide more money advice where we know people need a helping hand; we're all focused on providing the best opportunities in life for our customers.

Satisfaction is improving, with nine out of ten customers happy with the quality of their home and nine out of ten feeling their rent provides value for money. Customer feedback is vital and that's why we listen to the bad as well as the good, taking care with any complaints we receive to ensure that we don't just act on them as quickly as possible, but that we learn from them for the future.






## Here are just some of the highlights of our year:

**Legal and Safe**
Making sure all we do is carried out legally and safely is always top of our list. We've continued a great deal of our work to enhance fire safety in high-rise and low-rise blocks and are embarking on a campaign to raise awareness of how our customers can make sure they stay safe in their homes directly with them. We added fire suppression systems to two of our high-rise buildings in Hartlepool and Stockton, with five more installations planned for 2019/20. The year also saw us complete our work to replace partial ACM cladding on our Billingham high-rise, Kennedy Gardens, as well as recruiting to a specialist relocation team, which started to move customers from the five high-rise blocks we identified for demolition. We remain consistently compliant with 100% of gas safety checks carried out; an area we have received awards for.

**Tenants, Customers and Clients**
We reach out to some 70,000 people. They're why we exist and so listening to them couldn't be more important to us. As part of engaging with customers, a lot of our effort in the last year has concentrated on the tenants' voice and how we enhance that even further. We've worked on a new framework to involve even more customers in having a say and holding us to account and this is key in creating each year's strategic plan. We know what they want and expect from us and their main priorities are again a focus in our new strategic plan.

# Group Chief Executive's Statement

(continued)

## Last year, tenants and customers said:

**Customers told us that improving customer satisfaction should be one of our key actions.**

### They said:

Customers told us that improving customer satisfaction should be one of our key actions.

### We did:

We implemented actions including investing in our contact team and improving our repairs service, so that overall customer satisfaction with the services provided by Thirteen increased to 87%.

### They said:

Customers told us that they wanted us to have a clear understanding of our social impact in the Tees Valley.

### We did:

We used national standards to calculate that we have gained the equivalent of £1,244,667 in social value for our area and published our own social value report.

### They said:

Customers said that they wanted us to build more affordable homes.

### We did:

Last year, we built 401 new homes to rent or buy. We also acquired developer Gus Robinson to help us deliver more affordable homes.

### They said:

Customers told us that ensuring we are legal, compliant and safe, and that we ensure the delivery of a continuous value for money programme, were at the top of their list.

### We did:

When we were inspected by our regulator, we were given ratings of G1 for governance and V1 for finance - the highest possible ratings for housing organisations.





## This year, tenants and customers said:

### They said:

Customers told us that they want us to focus on retaining current, and attracting new, customers.

### We're doing:

We're working on promoting our customer offer and are increasing the standard of our void properties to make them more attractive to new customers.

### They said:

Customers want us to ensure that we listen to tenants' views and concerns and also share their knowledge.

### We're doing:

We're implementing a new customer involvement framework to ensure we better involve customers. We're also developing and improving how we handle and learn from customer complaints.

### They said:

Customers told us they valued our plans to reduce the time to complete a repair further.

### We're doing:

Our trade operatives are receiving repair information on their tablet devices which will help speed up processes and improve the customer experience.

### They said:

Ensure we maximise the promotion of job vacancies so residents and tenants are aware of opportunities.

### We're doing:

We are promoting job and apprentice opportunities to customers on social media and offer exclusive vacancies through our employment support programme.

# Group Chief Executive's Statement

**(continued)**

**Our People**
I feel proud to be part of Thirteen - and that's because of the people. From colleagues at the front face dealing with customers on a day-to-day basis, to back office roles delivering vital business functions, everyone shares the same passion; to be the best they can be so they can provide quality homes and so much more to our customers. As ever, I reiterate George's thanks. Without all my dedicated colleagues and committed board directors, Thirteen wouldn't be the organisation it is today.

**Financial Summary**
Turnover for the year was £180.3m (2018: £159.8m) an increase of 12.8%. This rise was driven by an increase in revenue from property sales in line

with our enhanced development programme and the drive to deliver more homes, in addition to turnover from our newly acquired subsidiary, Gus Robinson Developments, the post-acquisition period adding £8.3m to turnover.

The operating surplus for the year was marginally down on 2018 at £34.4m, with costs rising due to increased investment in the standard of our homes and service enhancements for our customers. Pension costs were higher than envisaged, including a one-off provision of £4.4m arising from legal challenges on pension reforms. These results have delivered an operating margin of 17.7%. Excluding these increased pension costs, to understand a year-on-year comparison, the operating surplus is £39.7m resulting in an operating margin of 20.7%.

Whilst this is lower than in previous years, it is broadly in line with our target for the year and is indicative of the increased investment previously highlighted.

Gearing, calculated as total loans as a percentage of total assets less current liabilities, at 23.3% is in line with the previous year actual of 24% demonstrating our capacity to fund this continued investment in our homes and increased

development programme. Whilst this is lower than in previous years, it is broadly in line with our target for the year and is indicative of the increased investment previously highlighted.

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

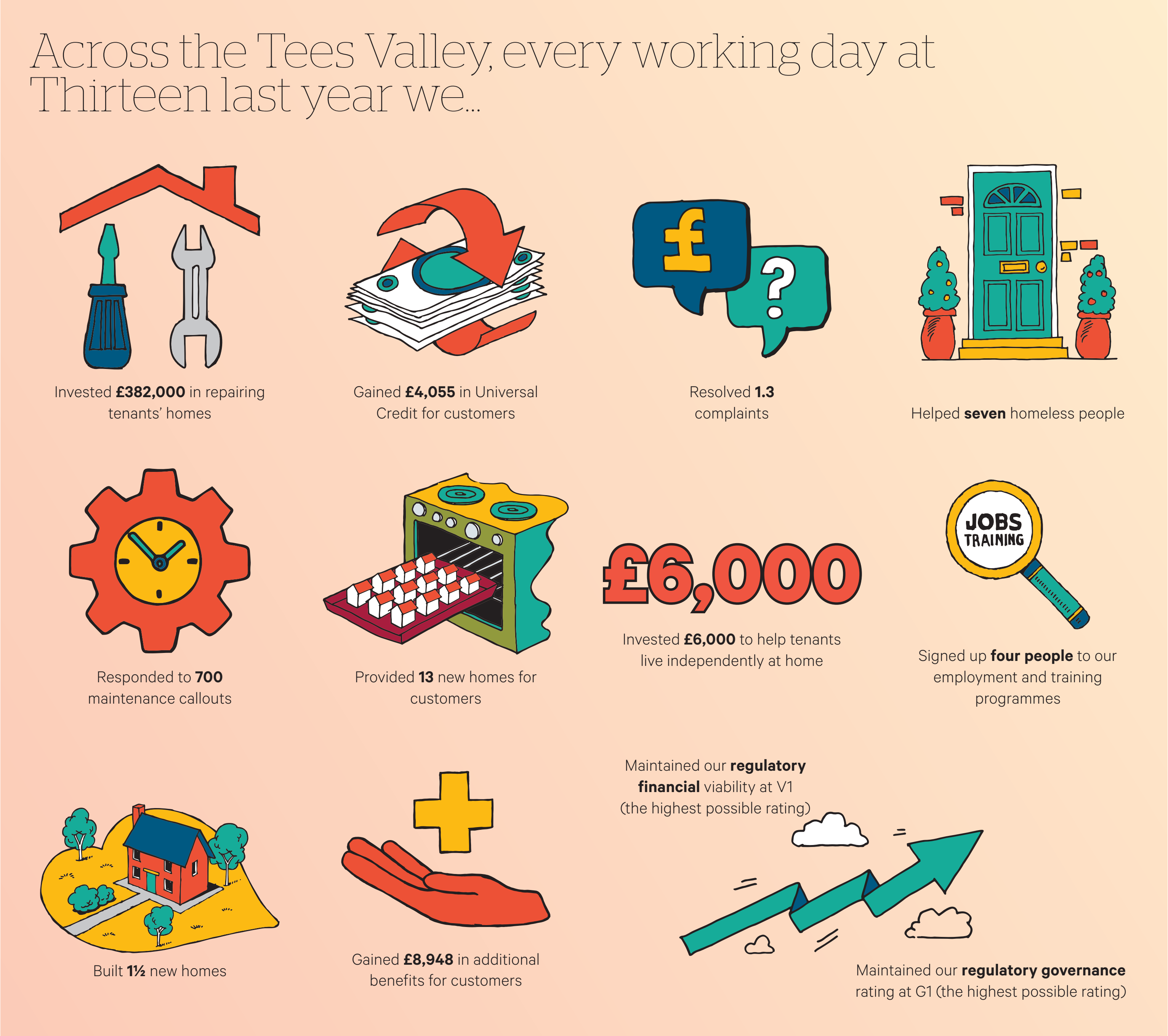
- Overall satisfaction continues to show a year-on-year improvement rising to 87.4%
- Satisfaction with the repair service increased to 91.1%, higher than the target of 85%

- Current arrears showed a significant reduction to 3.6%, beating our target of 5.3%
- The number of repairs completed right first time increased to 97.7%
- The average time to complete a repair continues to reduce year-on-year, reducing to 9.5 days
- We contracted for 843 new affordable homes, completing 401 on site, both outcomes being higher than target
- Void properties again showed a reduction, achieving 278 by year end
- Complaints response times improved from 2.5 days to 1.3 days, with 100% of complainants responded to within the target of 5 working days
- The delivery of £38.2m of investment work to existing homes, including new windows and doors for more than 600 households, 1,294 new boilers, 468 new kitchens and 544 new roofs, and £1.6m on adaptations to help tenants remain in their homes
- A gain of £2.7m of benefits for claimants
- A total of 527 people were helped with work, training and education

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 May 2019 by the Board.





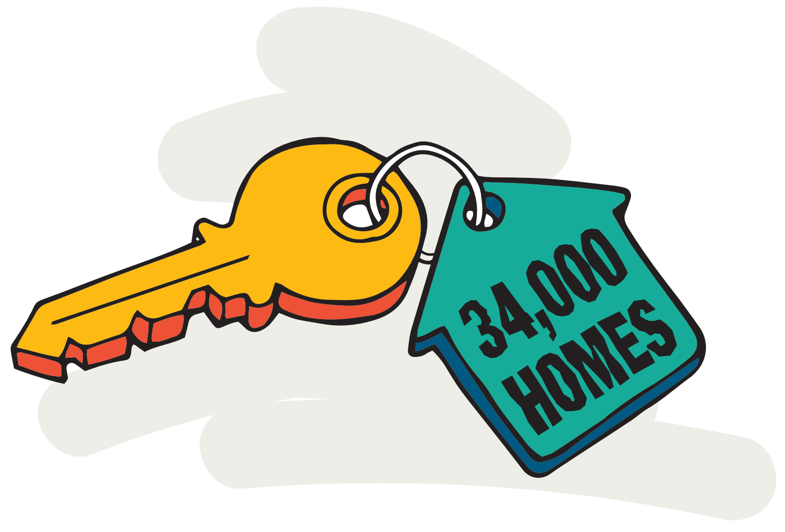



**Looking Forward**
The title alone of our 2019-24 strategic plan gives us our focus for the following year; we're about homes and so much more. First and foremost we're a housing association, delivering to meet housing need for the people in our area. But we're not just that. We go over and above to provide additional support services to give people the opportunities in life to live independently and meet their potential. More detail of our upcoming plans following later in this report.

# Strategic Report
## About Thirteen

**Thirteen is a housing association. A housing association with strength, capacity and ambition. Strength, capacity and ambition to deliver for our customers who are always at the centre of what we do. They're why we exist.**

**In fact, Thirteen is the largest housing association in the North East and among the biggest 25 nationally. That's the result of a succession of mergers between social housing providers over 20 years. Today, we own and manage some 34,000 properties in the North East region, 30,000 of them in the Tees Valley.**




**We're about homes and so much more**

We're more than just a landlord. Our scope extends to supporting vulnerable people with thoughtful and effective services, improving our homes and estates and building new places for people to live. Our skilled colleagues and committed board directors all work tirelessly to support 70,000 tenants and customers, bringing a breadth of experience and a can-do attitude.

**Our philosophy**

At Thirteen we're all about providing homes, support and opportunities to grow. With a vision of a caring landlord and housing developer, we understand that everyone is an individual. We promise a home for their life.

Whether that's a space to enjoy with family, a haven to return to every night or somewhere to put down roots, we're there to provide what customers prefer.

Putting customers at the heart of our business helps us shape the organisation and continue to ensure we're there for anyone who needs a home, and maybe a helping hand too. Our vision extends beyond homes to investing in their neighbourhoods and the wider Tees Valley too.





**Our mission – why we are here**

We provide homes, support and opportunities to grow.

**Our vision**

As a housing association, we are a caring landlord and housing developer. We're here to help anyone who needs a home. We're about investing in neighbourhoods and making a major contribution to the regeneration of the Tees Valley.

**Our priorities**

1. Great customer experience
2. Delivering quality places to live and improving neighbourhoods
3. Being Team Thirteen - considerate, smart and progressive

**Our geographic focus**

We operate across the North East and North Yorkshire. Our regeneration and social value work has a focus on the Tees Valley.

# Strategic Report
# About Thirteen

(continued)








# Strategic Report
## About Thirteen
(continued)

**Group structure**
Up to 2017 Thirteen was made up of a group of social landlords and a care and support service. In that year we consolidated into one single landlord for all our tenants and customers. The change made things simpler.

It increased financial stability, spending and bargaining power, saved money to fund new services, and released financial capacity to invest in our homes and neighbourhoods.

We are still very much local at heart. And our heartland is the Tees Valley. Now that we're a single, stronger organisation, rather than a federation, we have the scale, expertise and funds to do much more to regenerate the whole area. We are continually innovating, improving and growing. Where it helps, we form alliances rather than work alone.

That's why we welcomed Gus Robinson Developments to the Thirteen family in 2018. Not only will it play a significant role in the development of Thirteen's housing offer, it also enables us to assist other North East England organisations needing construction and building services.

**The background of Thirteen**
The history of Thirteen is rooted in communities across the North East. We grew from traditional housing associations and local authority housing which provided safe and sustainable homes for thousands of people in the region.

The story begins with the formation of Tees Valley Housing Association over 20 years ago by merging Cleveland and Teesside Housing Society and Phoenix Housing, bringing together properties across the North East and Yorkshire.

In April 2000, Tees Valley Housing Group was formed by Tees Valley Housing Association, Tees Valley Trust, and joined by Sunderland based Banks of the Wear Community Housing. Tristar Homes was created in 2002 to manage council housing stock on behalf of Stockton Borough Council and went on to take ownership of the Council's stock in 2010.

A little further down the Tees in Middlesbrough, Erimus Housing was created from the transfer of Council housing stock in November 2004. Meanwhile in Hartlepool, the housing stock was transferred from the Council to Housing Hartlepool in March 2004.

Four years later, Fabrick Housing Group was created by the joining of Tees Valley Housing and Erimus Housing. Tristar Homes and Housing Hartlepool joined in partnership in 2010 to form Vela. In 2012 Newcastle-based charity Norcare (later to become Thirteen Care and Support) joined Fabrick.

The Thirteen Group was formed in 2014 by bringing Fabrick and Vela together. Now we had the collective strength to thrive in a changing and ever more difficult environment, share resources and costs, and deliver a greater number of enhanced services and initiatives. In the first year alone, we saved £7.5m. We consolidated in 2017 to become one landlord as Thirteen, bringing further strength and a simpler, easier business to work with. Then in 2018, we acquired Gus Robinson Developments, adding to the strength and ability of the group by bringing on board a housebuilder with ambitions to deliver not just for Thirteen, but for other organisations in the North East.





# Strategic Report
## Financial review

**The group continues to deliver a strong financial performance, recording a surplus of £34.4m in 2018/19. This surplus includes the financial results of our subsidiary companies which are currently trading, Thirteen Homes and Thirteen Commercial Services, plus the post-acquisition results of the new company to the group, Gus Robinson Developments.**

The operating environment continues to be challenging, with the ongoing impact of the reduction of 1% per year in rental income and the impact of welfare reform. To mitigate these factors and ensure resources are targeted to maximise the customer offer and experience, we set and achieved challenging efficiency targets in 2018/19, with further efficiencies targeted for 2019/20 and future years.

We continue to be financially strong, with our V1 rating for financial viability established by the Regulator of Social Housing, confirming our financial capacity to deliver our ongoing development programme for more homes. In addition, we were successful in securing a place on the Government's 'Wave' programme enabling us to deliver a further 1,000 homes in the future. The acquisition of Gus Robinson Developments has secured our capacity for growth and will enable us to deliver on 6,648 high quality homes over the next 10 years.

**Turnover**
Despite the rent reduction, turnover increased to £180.3m (2018: £159.8m) through delivery of new homes, resulting in both rental income and sales receipts, and the receipt of government grant for regeneration schemes. Post-acquisition turnover for our new subsidiary, Gus Robinson Developments, contributed £8.3m to turnover in the year. 83.9% of turnover was generated from social housing activity with the remainder from non-social housing lettings and activity.

**Operating surplus**
The operating surplus for the year was down on 2018 at £34.4m, with costs rising due to increased investment in the standard of our homes and service enhancements for our customers. Pension costs were also higher than envisaged, including one-off costs relating a provision of £4.4m for GMP equalisation and the McLoud judgement on pension costs. These results have delivered an operating margin of 17.7%. Excluding these increased pension costs, so as to understand a year-on-year comparison, the operating surplus is £39.7m, an operating margin of 20.7%. Whilst this is lower than in previous years, it is broadly in line with our target for the year, and is indicative of the increased investment previously highlighted.

# Strategic Report
# Financial review
**(continued)**

**Assets**
We continue to make a significant investment in our assets, investing £44.8m in 2019 in the development of new properties in addition to investment in existing properties, bringing the value of housing properties to £993.7m (2018: £959.5m). Whilst we continue to rationalise uneconomical or obsolete housing stock, and sell homes to tenants under 'Right-to-Buy', this investment enables us to renew housing stock and has led to a net increase in the number of properties we hold for rent. At 31 March 2019, we owned 32,734 and managed a further 851 social housing properties (2018: 32,150 owned and 840 managed).

Housing properties are stated at cost and are also valued for loan security purposes. The estimated value of secured and unsecured properties is £1,014m (2018: £1,003m).

An impairment review is carried out annually. The review carried out in 2018 on our high-rise stock determined that 346 properties in five high-rise blocks were classed as 'obsolete properties and components' which resulted in an impairment adjustment in both 2018 and 2019.

The group also holds other freehold land and buildings, including garages, commercial properties and office buildings, as well as equipment and vehicle assets, giving a total asset value of £1,040m (2018: £1,003m).

**Payment of creditors**
Thirteen processes and pays creditor invoices on behalf of the Thirteen group of companies, excluding our new subsidiary, Gus Robinson Developments. Our policy is to pay 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 creditors was 39 days from the date of the invoice (2018: 34 days). Performance has decreased from the prior year due to increased volumes of invoices and issues following the implementation of a new IT system and the requirement to embed revised processes. We continue to work closely with suppliers to improve processes, and provide training and support to staff across the group to improve performance.

**Capital structure and treasury policy**
Our treasury strategy was updated in July 2019 and gives strategic direction for the group in relation to treasury activities.

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

Capital funding liquidity is considered to be one of our most important objectives, and our golden rule is defined as a minimum of 24 months liquidity required. Our financial plan shows that undrawn loan facilities are sufficient to finance the group's activities until February 2022, and work is underway to secure additional funding during 2019/20.

The group has loan facilities in place of £360.7m at 31 March 2019 (2018: £364.8m) of which £121.7m is undrawn. All the undrawn loans are fully secured and capable of being drawn.

At the financial year end, borrowings amounted to £239.0m (2018: £243.8m). The weighted average maturity of our facility is 8.4 years, and the maturity profile of our drawn debt is shown opposite:

| Maturity | 2019 £m | 2018 £m |
|---|---|---|
| Within one year or on demand | 2.3 | 3.9 |
| Between one and two years | 2.4 | 2.3 |
| Between two and five years | 47.3 | 5.5 |
| After five years | 186.9 | 232.1 |
| | **239.0** | **243.8** |

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 74% (2018: 75%) of our borrowing was at fixed rates. The fixed rates of interest, including the margin, ranged from 3.6% to 11.8% (2018: 3.6% to 11.8%) which compared to the current market where at the year-end comparable fixed rates were 3.3% (2018: 3.6%).

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





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 at least quarterly. The most recent report confirmed that the group was compliant 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 life of the financial plan.

Thirteen's gearing, calculated as total loans as a percentage of completed housing properties, was reduced to 23% as at 31 March 2019 (2018: 24%). Gearing is expected to increase over the next 12 months with further loans drawn to support our financial plan.

Thirteen's interest cover, calculated as adjusted operating surplus as a percentage of net interest payable was 327% for the year ending 31 March 2019 (2018: 332%). Interest cover is expected to decrease over the next 12 months as a result of additional investment.

Thirteen's asset cover, calculated as the value of securable assets as a percentage of loans is reported to individual lenders based on the loan balance and properties secured against each specific facility. Thirteen's overall asset cover was 424% as at 31 March 2019 (2018: 411%). We have 10,921 properties not charged to any lender (2018: 10,643) which would support £334.3m (2018: £324.2m) of additional loans.

Thirteen Group has agreed with lenders the ability to provide onward funding to its subsidiaries. The limit has been agreed at £25.0m and includes loans and guarantees. There is a loan facility agreement in place between Thirteen Group and Thirteen Homes, which had a drawn balance of £3.4m at 31 March 2019 (2018: nil).

During the financial year, Thirteen Homes used part of this funding to invest in Gus Robinson Developments. A facility agreement is in place between Gus Robinson and Thirteen Homes, with a drawn balance of £0.5m at 31 March 2019.

The group had balances of cash and cash equivalents of £9.2m at 31 March 2019 (2018: £7.4m) and the current ratio stood at 0.8 (2018: 0.9). 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**
The group's latest financial plan for 2020-2049 was approved by Board in May 2019 and incorporated the revised development programme to deliver 6,648 homes over the next 10 years. This investment will be funded by social housing grant from Homes England, additional borrowing and internally generated surpluses. The plan includes stretching efficiency targets which will enable us to deliver the priorities in the strategic plan, make efficient use of our available resources, whilst retaining the capacity to react to market conditions and external influences, and remain compliant with loan covenants and key financial measures, our 'golden rules'.

We continue to undertake stock condition surveys of our housing stock on a rolling programme to understand the level of repair and maintenance expenditure required, to inform the financial plan and strategic priorities, and plan to invest £34.1m in our major repairs programme during the 2020 financial year, and £204.4m by 2024.

# Strategic Report

## Consolidated financial results: four year summary

| Statement of Comprehensive Income (£'000) | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Turnover | 180,338 | 159,827 | 164,989 | 163,964 |
| Operating expenditure and cost of sales | (148,335) | (120,871) | (115,438) | (132,800) |
| Gain on disposal of housing assets | 2,407 | 1,671 | 1,413 | 523 |
| **Operating surplus** | **34,410** | **40,627** | **50,964** | **31,687** |
| Net interest charge | (10,273) | (11,438) | (12,060) | (11,871) |
| Gain on disposal of other assets | 350 | 280 | (41) | 60 |
| Other finance (costs) | (1,402) | (988) | (1,343) | (1,272) |
| Change in valuation of investment properties | - | (823) | - | - |
| Taxation | 35 | 1 | - | 1 |
| **Surplus for the year** | **23,120** | **27,659** | **37,520** | **18,605** |

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

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





# Strategic Report
## Value for money

**Value for money**
At Thirteen we are all about providing homes, support and opportunities to grow. We don't just offer a choice of home, we also provide additional services to help people live safely, happily and be part of a real community. Achieving Value for Money (VfM) outcomes will mean that we can optimise future returns on assets, deliver quality services and have a positive impact on our customers and our communities.

Our aim, through a VfM MOT programme, is to create the optimum balance where costs are relatively low, productivity is high, and successful outcomes have been achieved:

- Reducing costs (labour costs, better performance and commissioning) for the same outputs, for example we reviewed how we deliver our grounds maintenance service, bringing more services in-house to provide an improved service to customers and save £200k per annum.
- Reducing inputs (people, assets, energy, materials) for the same outputs, for example, through our Right Space Right Place project we have reviewed our requirement for office space, achieving savings in this year with more planned for future years, whilst at the same time providing a better working environment for our staff.
- Greater outputs with improved quality (additional services or production) for the same inputs, for example the implementation of our new operating model has increased customer satisfaction through a redirection of existing resources and budgets.
- Getting more outputs or improved quality in return for an increase in resources, for example we have invested £100k in additional staffing for our credit control team which has achieved an increase in recovery of former tenant arrears of £0.4m, an increase of 6% on the previous year, in addition to freeing up neighbourhood coordinator time through the establishment of a dedicated court team

Our constant drive to embed efficiency across all group activities and decisions is led and monitored by the Board through a robust VfM framework. To strengthen this a new 'VfM at a Glance'; incorporating key metrics including those required by the regulator, those included within the Strategic Plan and those supporting specific projects and work streams, is being introduced to allow the Board a concise view of 'what matters', enabling constructive challenge and timely response and remedy. We have set an annual efficiency target of 3% of turnover for the next 5 years, as is captured in the Strategic Plan.

The Board and leadership team are kept informed of how we are performing when compared with our peers, using benchmarks to help us assess and to challenge performance.

Thirteen is committed to making sure that costs for key services will not be significantly higher than other organisations providing similar levels and standards of service and areas of high costs are identified and scrutinised on a regular basis. The VfM MOT programme, which takes an in-depth VfM review in 3-4 service areas per annum along with the quarterly review by the Boards, will ensure costs correspond with performance, whilst allowing for local factors.

Any surplus generated is being reinvested into our existing neighbourhoods as well as into developing new properties and enhancing services.

# Strategic Report
# Value for money
(continued)

### VfM framework

Our VfM framework has been revised during 2019 to ensure it supports the group's strategic priorities:

**Great Customer Experience:**
- Understanding the costs and outcomes of delivering specific services
- Ensuring re-investment of efficiencies in projects and priority services for the benefit of our customers and communities
- Adding social value to support customers and neighbourhoods
- Ensuring accountability to customers

**Delivering quality places to live and improving neighbourhoods**
- Appraising and making best use of assets and resources to support Thirteen's regeneration and development programme, including the potential benefits in alternative delivery models
- Understanding and maximising the return on assets

**Being Team Thirteen:**
- Having a comprehensive and strategic approach to achieving and improving VfM
- Managing resources economically, effectively and efficiently
- Ensuring compliance with regulatory requirements
- Providing a framework to support business activity across the Group
- Ensuring effective performance management and scrutiny to drive and deliver VfM

To support this framework, we have put in place a programme of VfM 'MOT's' to ensure that the approach taken in delivering those efficiencies becomes further embedded and normalised.

The VfM MOT is four year programme, as mentioned above, covering all activities of the group, which provides a framework for understanding VfM; creating the link between the longer term strategic projects, departmental and team VfM activity for the next twelve months, and VfM activity that can be classed as 'business as usual'. At its most basic:

- Clearly expressing our ambition – the forward look
- Capturing what we have done – the backward look

Being clear about the outcomes we are delivering in terms of VfM in general and social value in particular.

In support of the Strategic Plan, we have implemented a new project management framework which includes a robust financial appraisal process. This ensures all aspects of the project are identified and considered, enabling decisions to be taking with the full knowledge of all risks and benefits.





### VfM Metrics

The VfM metrics form an integral part of our management accounts reporting cycle, with performance compared to the financial plan being reported on a monthly basis, and as part of financial plan proposals and updates to Board. Results for 2019 are detailed below:

| Value for Money Metrics | Target | | Actual | | | Sector Median 2018 |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2019 | 2018 | 2017 | |
| Reinvestment % | 8.3% | 5.1% | 6.5% | 4.1% | 4.8% | 6% |
| New supply delivered (Social housing units) % | 1.1% | 0.9% | 1.0% | 0.6% | 0.7% | 1.2% |
| New supply delivered (Non-social housing units) % | 0.2% | 0.2% | 0% | 0% | 0% | 0% |
| Gearing % | 28% | 23% | 23.3% | 24.8% | 30.4% | 42.9% |
| EBITDA MRI Interest Cover % | 206% | 329% | 250.9% | 341.8% | 417.2% | 206.0% |
| Headline Social Housing Cost per Unit | £3,807 | £3,346 | £3,632 | £3,073 | £3,065 | £3,397 |
| Operating Margin (social housing lettings) % | 30.3% | 28.2% | 25.7% | 29.1% | 34.0% | 32.1% |
| Operating Margin (overall) % | 20.2% | 23.6% | 17.7% | 24.4% | 30.0% | 28.9% |
| Return on Capital Employed % | 3.5% | 3.9% | 3.3% | 4.0% | 4.9% | 4.1% |

*Sector Average based on the Regulator of Social Housing–2018 Global Accounts - Median of all social housing providers*

As we continue with our commitment to replace and extend the provision of homes, reinvestment and supply of new homes continues to rise, with future years forecast to increase further following our successful application to the Wave programme. Through careful cash management and loan repayment, this investment has not impacted upon gearing levels, although this is planned to increase in future years through the raising of new loans to help fund the extension of the development programme.

Gearing remains low as we have utilised cash balances to minimise loan balances, whilst continuing to invest in our housing stock and increase asset values.

Interest cover remains above our target minimum level and again will be impacted in future through increased borrowings, in line with the approved financial plan whilst remaining well within our golden rules.

Headline social housing costs per unit have risen year-on-year but still remain in the medium quartile when benchmarking against our peers. Efficiency savings that have been achieved and are built into future plans have helped keep management costs per unit low, and service and maintenance costs comparable to the sector average. Major repair costs remain high compared to the sector average due to our planned investment in both our properties and service provision to meet the ongoing challenge of rising customer expectation, increased competition in the market place and higher standards of health and safety following Grenfell. There is a further increase in major repair costs budgeted for in 2019/20 which primarily relate to resources set aside so we are able to respond to any unforeseen costs arising from Brexit or adoption of the new building regulations.

Operating margin, both overall and social housing lettings, remain at a fairly constant level, the reduction in 2019 being impacted upon by higher than expected pension costs, including the one-off adjustment to pension costs relating to GMP and the McLoud judgement of £4.4m, without this adjustment the underlying overall operating margin is 20.7%.

Return on capital employed has reduced, reflecting the increased costs and ongoing investment in existing property and services, although our asset base has also increased through the commitment to extend new home provision.

# Strategic Report
## Value for money
(continued)

**Local Value for Money Measures**
In addition to the VfM metrics, we have set key VfM performance indicators in-line with our strategic priorities and where applicable, benchmark these against our peers.

| Great Customer Experience | Target 2020 | Actual | | Benchmark | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | Northern | National |
| Overall satisfaction with services provided by Thirteen | 90% | 87.4% | 84.6% | MQ | MQ |
| First contact resolution | 80% | 78.3% | 73.0% | n/a | n/a |
| % of tenants very or fairly satisfied that their rent provides value for money | >90% | 91.9% | 92.1% | MQ | UQ |

Priority one for the Group is 'Great Customer Experience' therefore we regularly test how satisfied our customers are with the services we provide. Overall satisfaction has risen over recent years and we continue to challenge ourselves aiming to further increase satisfaction in future years to achieve upper quartile performance when benchmarked with our peers. A key component of satisfaction is first contact resolution and the investment we have made in our contact centre and IT systems have assisted in the increase in the number of customer calls we can resolve at first contact. Focussing on VfM we ask our tenants how satisfied they are that their rent provides value for money and we are pleased that we consistently achieve upper quartile results, higher than our peers in the Northern region.

| Delivering Quality Places to Live and Improving Neighbourhoods | Target 2020 | Actual | | Benchmark | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | Northern | National |
| Repairs first time fix | 98% | 98% | 97.5% | UQ | UQ |
| Average calendar days to complete a repair | 8 days | 9 days | 10.2 days | MQ | UQ |
| % of valid Landlord Gas Safety Records | 100% | 100% | 100% | UQ | UQ |
| Ratio of responsive repairs to planned maintenance | 0.47 | 0.74 | 0.69 | n/a | n/a |
| Investment in communities | £1.9m | £1.5m | £1.5m | n/a | n/a |

A great experience for our customers is supported by the quality of their homes and neighbourhoods, therefore we have a number of key measures to monitor our progress against this strategic priority. The performance of our repairs service is improving and we continue to invest in training and systems to keep our performance at or aiming at upper quartile performance. Safety continues to be a key focus and we are pleased to say that we have maintained our 100% record on landlord gas safety checks. A higher volume of planned works can drive VfM savings so we monitor the ratio of spend on planned works to responsive repairs, with an initial assessment in the financial plan indicating an increase in planned works in 2020. We also look to support community activities through offering money advice and community facilities, increasing our investment in these services.





"Priority one for the Group is 'Great Customer Experience' therefore we regularly test how satisfied our customers are with the services we provide."

| Being Team Thirteen | Target 2020 | Actual | |
|---|---|---|---|
| | | 2019 | 2018 |
| Learning and Development investment per employee | £417 | £420 | £228 |
| Office overhead cost per person | £1,022 | £1,083 | £1,294 |
| Overheads as % of adjusted turnover | 7.6% | 7.9% | 6.6% |
| Capital funding liquidity | 24 months | 43 months | 75 months |

To achieve these two strategic priorities we recognise we need to invest, not only in our customers and property assets, but in our people, through ensuring they have access to appropriate training and investment, so we have increased, then maintained the level of investment we make. The way we work has been changing and this, along with our drive to enable and promote more agile ways of working has enabled us to make significant savings on office accommodation costs, with more savings planned, and redirect these savings to front-line services and property investment. Overall, overheads remain low. Whilst we anticipate an increase in 2020 this reflects our commitment to invest in our people and ongoing investment in IT systems and infrastructure. Capital funding liquidity has reduced in line with our plans to deliver increased investment in our existing properties and to deliver our ambitious development plans for an increased supply of affordable homes, including delivery of the Wave programme. Our 'golden rule' target of 24 months is evidence of our ongoing viability and has been set to be within the regulator's key metric of a minimum of 18 months liquidity.

*MQ – Median quartile*
*UQ – Upper quartile*
*Benchmark – position of the Group when compared to similar organisation using Housemark 2018 benchmarking results*

# Strategic Report
# Value for money
(continued)

**Achievements**
In line with the strategic plan approved by Board, any savings achieved and surplus generated is reinvested into our existing neighbourhoods and to the development of new properties and enhancement of services, but our approach to VfM is not only about savings as we continue to consider where resources are best used to make appropriate internal investment decisions. During 2018/19 this resulted in:

**Great Customer Experience**

- Investing in the customer contact centre resulting in increased customer satisfaction with ease of contact and a reduction in the time taken to answer calls
- Investing in our complaints management team to deliver an improved service to complainants resulting in 100% of complaints being fully responded to within 5 working days and reducing the average response time to 2.1 days
- Introducing evening and weekend working for certain services, in response to customer demand, which has contributed to the overall increase in customer satisfaction and contributed to a reduction in debt levels
- Implementing an enhanced customer involvement framework to ensure all customers have the opportunity to be involved in shaping and scrutinising our services, and testing compliance with the regulatory consumer standards

**Delivering Quality Places to Live and Improving Neighbourhoods**

- Delivery of 401 new build properties, including 129 for low cost home ownership
- Developing an enhanced fire risk assessment to provide additional assurance to customers
- Investing in a new standard for the quality of a Thirteen home which has contributed to reducing the number of empty properties and reducing relet time
- Implementing a new operating model which put tenants and neighbourhoods at the heart of the business, to improve the quality of service provision and help shape and inform key decisions
- Reducing the number of empty properties, tenancy turnover and relet times, so maximising rental income and improving neighbourhoods

**Being Team Thirteen**

- Achieving a high net promoter score from our employees, helping us to retain staff and be seen as an employer of choice to attract the best staff in the future
- Investing in training and education across the group, including on internal systems to reduce service failure and improve customer satisfaction
- Investing in a specific team responsible for cyber security to help us better understand and respond to the threats and keep customer data safe and secure
- Developing our website, making it easier to navigate, and started the implementation of new digital approach
- Investment in our dedicated credit control team of £0.1m which has achieved an increase in recovery of former tenant arrears of £0.4m, an increase of 6% on the previous year, in addition to freeing up neighbourhood coordinator time through the establishment of a dedicated court team.
- Reducing current arrears so improving cashflow and availability of funding
- Investing in a new IT repairs system which, along with the introduction of new ways of working, has delivered;
    - improved on right first time for all repairs,
    - reduced the average time to complete repairs, and
    - improved customer satisfaction.

During 2018/19 a target of £1.2m cashable savings was set. We are therefore pleased with the outcome of £2.4m savings delivered against this target, these savings covering areas such as:

- Reduction in the use of sub-contractors £0.7m
- Purchasing arrangements £0.2m
- Office accommodation £0.2m
- Funding arrangements £0.6m

These savings have been achieved whilst maintaining and improving services to our customers, for example releasing financial resources through efficient borrowing to enable increased investment in services and improved home standards which directly benefit our customers.





**Business Challenges**
In 2018/19 we identified two main challenges to delivery of value for money when compared with our peers; the number of empty properties and the amount owed by current tenants.

| Empty Properties | Target | | Actual | | | Sector Average |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2019 | 2018 | 2017 | 2018 |
| Average relet times (standard portfolio) | 30 days | 30 days | 45 days | 52 days | 40 days | 45 days |
| Vacant properties (standard portfolio) | 220 | 250 | 278 | 373 | 332 | n/a |
| Properties empty and available to let (total stock) | 0.7% | 0.8% | 0.9% | 1.2% | 1.2% | 1.3% |

As mentioned earlier, investment in the way we work, systems and the standard offered to tenants has helped to reduce the number of properties that are available to let. Bringing us closer to the top quartile within the North East region.

We recognise that challenges remain which we need to address, including continuing to deliver the improvements recognised during 2018/19, making sure our properties and neighbourhoods remain attractive to prospective tenants, non-standard properties, and decisions regarding properties that are currently unavailable to let, these being mainly due to regeneration plans regarding our high-rise stock.

We have undertaken board tours of our empty homes and ensured that their feedback and challenge along with that of our customers (through surveys) and colleagues is utilised to improve what we do.

**Some of the initiatives we are undertaking include:**

- Introducing new handheld solutions for our property services colleagues so that paper-based processes can be automated, improving speed of identifying works and efficiencies with void work planning
- Ensuring our new prospective customers are at the heart of the decision making around void works so that we invest in the right things to maximise customer satisfaction
- Empowering our neighbourhood coordinators to utilise their unique insight into their areas to inform repair works so that the product is improved to the standard required to be let quickly in their area
- Carpeting all homes where required by the customer so that it is suitable for customers to move straight into
- Introduced a new standard around decorating homes so that there is a consistent offer which has increased the number of homes that are either fully or partially decorated
- Introduced a new super void squad that are multi-trade ensuring that properties that have minimal clearance, clean and repair works are undertaken during one visit, within a few hours, delivering quicker relets
- Doing a joint visit with the leaving customer at the point of tenancy end, to identify any recharges and ensure that our homes are returned in a better condition
- Prior to any major works taking place, we now take stock and establish if there are any alternatives to replacement of major components (deep clean, repair, sourcing replacement out of stock parts from existing stock etc.) This has saved kitchens, bathrooms that may previously have been replaced
- Exploring the best way to reduce our turnaround times through procurement of contractors to compliment our existing work force to manage peaks in work
- Introducing a new digital platform that will provide an easily accessible customer portal to enable customers to access housing quicker and more easily

# Strategic Report
## Value for money
(continued)

| Rent Arrears | Target | | Actual | | | Sector Average 2018 |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2019 | 2018 | 2017 | |
| Gross rent arrears (excl voids) % at lowest housing benefit point | 3.4% | 5.3% | 3.6% | 5.0% | 5.0% | 3.2% |
| Former tenant arrears as % of debit | 3.6% | 1.8% | 2.1% | 2.2% | 1.8% | 2.1% |

Our new operating model is driven by an approach of maximising income and minimising loss. We have recruited all our neighbourhood coordinators for their commercial understanding as well as their ability to deliver great customer experiences. We know that many of our customers have financial difficulties but through building up trusted relationships with our customers we ensure that we are able to provide the right level of support to ensure that they sustain their tenancies. Our highly trained coordinators are firm in their approach to debt recovery whilst ensuring that when our customers are struggling to pay that they receive the help of our Money Advice and Universal Credit teams.

Debt recovery in the context of Universal Credit roll out across all of our stock is a challenge but our new approach has been successful in reducing debt levels.

We have explored with our board members our debt policy and new debt recovery procedures all of which has helped inform how we now recover debt.

**Some initiatives that we are currently undertaking include:**

- Introduced a new automated voice call system, Voicescape that has had a 50%+ response rate from customers reducing time taken to call existing and former customers manually and increasing efficiency
- Introduced a new nudge style approach to current debt recovery focussed on more face to face contact/telephone and where letters are used nudge techniques have been introduced to personalise and promote the wider impact of non payment of rent
- Exploring how we can automate more actions through our mobysoft IT solution to free up more time for personalised intervention where required
- Undertaking a range of supportive initiatives through a targeted campaign on 3 more intense debt neighbourhoods to identify what initiatives have the biggest impact prior to roll out over other areas
- Easter and Summer text messaging to customers who have traditionally increased debt over these periods, reminding them of the need to pay their rent consistently Complimenting this has been the promotion of free children activities information over these periods and working with partners to put on children's activities
- Introduced a range of financial inclusion activities including our new school uniform campaign, sourcing free school uniforms for families and other loan shark and fuel poverty campaigns
- Provided specialist debt conversation training for all staff who take payments, ensuring that we have a rent first conversation culture across the business
- Our new out of hours debt team have been particularly effective in contacting customers who are more difficult to reach and we are piloting a debt visiting team on a weekend to ensure that we maximise all efforts to maintain tenancies that are most likely to fail
- We are exploring debt profiling and debt insight to help inform the level of interventions required for different customer groups or different types of payers, ensuring that we take the right level of action to be most effective





**Future Plans**

In the current operating environment, with pressures on turnover and the drive to improve existing housing stock and increase provision, VfM continues to be a fundamental principle of Thirteen group strategy. Led by the Board, we have a drive to embed efficiency across all group activities and decisions. We have set challenging efficiency targets within the 2019 financial plan to realise this ambition and ensure our available resources are correctly directed to achieving our strategic aims and priorities.

| Value for Money Metrics | Financial Plan | | | | | Target 2019 | Actual 2019 |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | | |
| Reinvestment % | 9.3% | 10.4% | 8.9% | 9.2% | 8.3% | 5.1% | 6.5% |
| New supply delivered (Social housing units) % | 2% | 2% | 1.9% | 1.6% | 1.1% | 0.9% | 1.0% |
| New supply delivered (Non-social housing units) % | 0.4% | 0.4% | 0.3% | 0.2% | 0.2% | 0.2% | 0% |
| Gearing % | 29% | 30% | 29% | 29% | 28% | 23% | 23.3% |
| EBITDA MRI Interest Cover % | 234% | 230% | 229% | 242% | 206% | 329% | 250.9% |
| Headline Social Housing Cost per Unit | £3,786 | £3,778 | £3,746 | £3,606 | £3,807 | £3,346 | £3,632 |
| Operating Margin (social housing lettings) % | 32.6% | 32.1% | 32.3% | 31.9% | 30.3% | 28.2% | 25.7% |
| Operating Margin (overall) % | 24.5% | 23.8% | 24.6% | 24.4% | 20.2% | 23.6% | 17.7% |
| Return on Capital Employed % | 4% | 4% | 4.1% | 4.1% | 3.5% | 3.9% | 3.3% |

The financial plan and the above metrics includes our ambitious development plans to build 6,648 homes over the next 10 years to increase housing supply in the North East, plus ongoing investment in our current properties for our existing customers. These plans will increase gearing as we utilise the undrawn loan facilities we have available, and impact on interest cover. After one-off investment plans in 2020, to target strategic and customer priorities, overall costs are expected to increase over 2019 levels, although efficiency targets have been incorporated into the financial plan to keep increases to a minimum.

Management and maintenance costs are forecast to remain comparable to sector averages, with major repair costs remaining higher than sector average as we continue to invest in health & safety priorities and in quality neighbourhoods and homes.

We expect operating margin (social housing lettings) to remain above sector averages, as rental income is realised from new affordable homes. Overall operating margin is forecast to be below the operating margin (social housing lettings) mainly due to the activities undertaken by Thirteen Homes and Gus Robinson Developments, where average operating margins are lower therefore reducing the overall group operating margin.

The information in this section shows we comply with the requirements of the VfM standard 2018. Looking forward, value for money will continue to underpin all activity across the group, as we recognise that embracing VfM principles is essential to the achievement of our strategic objectives.

# Strategic Report
# Governance

### Governance

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






**Thirteen Housing Group Limited**

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

**Thirteen Commercial Services Limited (formerly Partnering Plus Limited)**

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

The main activities of Thirteen Commercial Services relate to lettings and management of commercial and non-social properties on behalf of Thirteen.

**Thirteen Homes Limited (formerly Portico Homes Limited)**

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

Thirteen Homes is responsible for the delivery of new homes for sale.

**Thirteen Property Development Limited (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.

**Gus Robinson Development Ltd**

Gus Robinson Development Ltd is a private limited company registered at Companies House and is a subsidiary of Thirteen Homes Limited.

The acquisition of Gus Robinson Developments will support Thirteen's ambitious new home delivery plan over the next 10 years.

**Woodside Homes**

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

**The Thirteen Board**

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

During the financial year, we continued to follow best practice with regard to corporate governance and complied with the NHF's Code of Governance 2015.

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

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

# Strategic Report
## Governance (continued)

**Thirteen Homes Board**

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

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

Non-executive board directors are appointed for a fixed term of 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.

Remuneration paid to non-executive directors of the group in the financial year was £122,884 (2018: £119,220). A breakdown of remuneration paid to each non-executive director is included in Note 10 to the financial statements.

**Committee Structure**

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

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

Treasury Committee - responsible for our financial health and effective long-term financial planning. Its role is to review, on behalf of the Board, all decisions in respect of lending and borrowing, to scrutinise new lending instruments and arrangements, and generally monitor the performance of our loan portfolio.

**Development and Investment Committee -** responsible for considering new business and commercial growth projects and opportunities, including development and regeneration projects, and making recommendations to Thirteen Board for approval.

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

**Executive directors**

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

**Directors' indemnities**

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





| Board member | Thirteen | Thirteen Homes | Thirteen Commercial Services (to November 2018) | Audit & Risk Committee | Treasury & Development Committee (to September 2018) | Treasury Committee (from November 2018) | Development & Investment (from November 2018) | Remuneration Committee | Attendance |
|---|---|---|---|---|---|---|---|---|---|
| George Garlick | Chair | | | | | | | | 5/5 |
| Clare Brayson | ✓ | | | | | | ✓ | Chair | 9/9 |
| Mark Simpson | ✓ | | | | | | ✓ | ✓ | 7/9 |
| Steve Nelson | ✓ | | | | | | | | 7/7 |
| Brian Dinsdale | ✓ | | | | ✓ | ✓ | | | 5/7 |
| Annette Clark | ✓ | | | Chair | | | | | 10/10 |
| Julie Clarke (to 3 Sept 2018) | ✓ | | | | | | | | 0/2 |
| Andrew Lean | ✓ | | | | Chair | Chair | Chair | | 10/10 |
| Richard Buckley | ✓ | Chair | | | | | | | 9/9 |
| Chris Newton | ✓ | | Chair | | | | | | 8/8 |
| Zoe Lewis | | ✓ | | | | | | | 3/4 |
| Laura Mack | | | ✓ | | | | ✓ | | 3/5 |
| Kiersten Avery | | | ✓ | | | | ✓ | | 2/5 |
| Miriam Harte | | | | ✓ | ✓ | ✓ | ✓ | | 8/10 |
| Keith Hurst | | | | ✓ | | | | | 5/5 |
| Christine Storrs | | | | ✓ | | | | | 4/5 |
| Neil Pattison | | | | | ✓ | ✓ | ✓ | | 5/5 |
| Nadeem Ahmad | | | | | | | | ✓ | 4/4 |
| Andrew Wilson (from 5 Dec 2018) | | | | ✓ | ✓ | ✓ | | | 3/3 |
| Caroline Moore (from 23 Jan 2019) | | | | | ✓ | ✓ | | ✓ | 1/1 |
| Rob Goward (from 5 Dec 2018) | | | | | ✓ | ✓ | | ✓ | 1/1 |
| Vishnu Reddy (from 1 Jan 2019) | | | | | ✓ | ✓ | | | 1/1 |
| Nick Taylor (from 1 Jan 2019) | | | | | ✓ | ✓ | | | 1/1 |
| Sarah Robson (to 26 Feb 2019) | | ✓ | | | | | | | 3/4 |
| Carla Keegans (to 15 June 2018) | | | | ✓ | | | | | 0/1 |
| Ian Wardle | ✓ | | | | | | | | 5/5 |
| Christine Smith | | ✓ | | | ✓ | | | | 2/4 |
| Barbara Heather Ashton | | | ✓ | | ✓ | | | | 4/4 |

# Strategic Report
## Governance (continued)

### Compliance

Through consolidation of the Thirteen Group in 2017, we carried out a comprehensive review of 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. In the last year we acquired Gus Robinson Developments and further reviewed the committee structure to reflect the increased emphasis on, and scrutiny of, investment and development opportunities.

Following an in-depth assessment (IDA) by the Regulator of Social Housing in November 2017, we 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.

The Board has also carried out its annual assessment of compliance with the Regulator of Social Housing's regulatory framework for registered providers, including consideration of the self-assessment of Consumer Standards carried out by involved customers, and reports full compliance. The Board also reviewed its governance arrangements for compliance against its adopted code of governance, the National Housing Federation's Code of Governance 2015, and considers we are fully compliant.

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

### NHF Merger Code

We have signed up to the voluntary NHF Merger Code and comply with the principal recommendations within the code. No approaches were made to other housing associations during 2018/19.

### Modern Slavery Act 2015

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



Annual Report and Financial Statements 2018/19

# Strategic Report
## Employees

### Employees

Being part of Team Thirteen is about more than just being high performing, collaborative and efficient.

Yes, we want to ensure our colleagues have the necessary skills and experience to deliver this strategy.

But focusing on the continued development of our people is just one part of the picture. We also want to be an employer of choice, attracting and retaining the right people with the right skills by providing a supporting and motivating environment and making every day a great day at work.

That's just one of the reasons we celebrate the achievements of our people, with not just our internal thank you scheme but our staff Brick Awards, where we invite every Thirteen employee to nominate their outstanding colleagues, bringing everyone together to mark their successes and thank them for their commitment and dedication.

Our efforts to support, empower and develop staff have been recognised externally too. We're extremely proud to say we've already been awarded the Investors in People silver accreditation, especially as it's only awarded to the top 5% of organisations assessed.

We've put a huge emphasis on our commitment to a diverse workforce and not just ensuring our pay and terms and conditions meet equal pay principles – but that we offer a great package with innovative and flexible working practices and locations.

Our equal pay principles mean our gender pay gap has reduced. At Thirteen, female colleagues earn on average 4.43% less than male colleagues, however we're proud to say the midpoint earnings are identical at 0.0%. The 4.43% mean figure is largely driven by the number of men in our trade roles.

We know we wouldn't be the success we are today without our amazing teams and that's why we've put so much time and effort into ensuring we take care of colleague health and wellbeing. In the last year we signed up to the Time for Change pledge and our leaders attended training on how to stay mentally well and to spot the signs of people who might be struggling.

They're supported by over 60 employee wellbeing advocates, committed to giving colleagues a helping hand wherever needed. At the end of the year, our sickness absence was at 3.8%, higher than our 3% target, so this approach is even more important and over the next 12 months we'll concentrate even more on meeting our target and increasing colleague wellbeing.

A vast amount of the last year has been spent building on helping our people understand the expectations of them as well as their colleagues, as well as how they could help our newly introduced operating model; which puts customers at the heart of our decision-making, make maximum impact.

Part of this was the launch of our Be Thirteen campaign, which looked at our behaviours and how we could embed our values into everyday life, at the same time giving our colleagues the skills they need to fulfil their roles. This year we'll build on the programme's success further by addressing any skills gaps and further supporting our managers and colleagues to be the best they can be.

We know there's some work to do across teams, particularly around helping people feel connected to, and valued by, those outside their immediate team. We also know the amount of change and our pace might sometimes impact on how people feel.

Those are just some of the reasons we've started our strategic project to transform our colleague experience, which is all about making sure everyone has a great day at work every day.

Having happy colleagues increases our chances of delivering on our promises, so we've spent time with Thirteen folk to understand what we can do to support them in having a great day at work.

We're clear we want colleagues to feel proud, energised and in control, connected and informed, challenged and valued. Many of them already feel like this and we want to extend that feeling across the business.

So the first 12 months of this project we'll focus on using the insight from our various pieces of research to help us identify areas we need to work on, as well as ensuring everyone understands the positive impact having a great day at work can have on our performance, the role they have to play in making this happen - and anything that's in the way.

# Strategic Report
# Operating Environment and Risk Management

The external operating environment has thrown up a number of challenges including:

- Uncertainty around Brexit and its impact on the national economy, together with rising inflation
- Potential for changes in government (including housing) policy following the election of a new Prime Minister
- The maturity of the Regulator's pragmatic value for money metrics and the co-regulatory regime
- Potential outcomes of the Green Paper consultation, including possible changes in regulation; and the opportunity and challenges associated with becoming an 'early adopter' of the NHF's Together with Tenants initiative
- The findings and recommendations of the Grenfell and Building Regulations enquiries, which are already having a huge impact and will continue to inform our asset management strategy and housing operations
- "For profit" organisations purchasing section 106 properties from housebuilders
- Local authorities creating their own housing companies and/or looking to build houses themselves, all of which increase the number of operators seeking opportunities
- Affordability through benefits changing the demand for certain types of homes, and the need to plan for this in our asset management and development strategies
- Public sector budget cuts and welfare reform changes adversely affecting some tenants, with crime, fear of crime and financial distress being real issues in some neighbourhoods

Against this backdrop our revised strategic plan for 2019 to 2024 gives us clear direction and ensures we are focused on meeting our priorities as a business.

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

Our strategic assurance framework ensures we respond appropriately to these challenges and identifies the critical components of an effective assurance framework, including risk management, stress testing and internal controls.

### Our Risk Management ethos

Thirteen's Strategic Assurance Framework consolidates our approach to assurance, and identifies the critical components of an effective assurance framework, including risk management, stress testing, internal controls, business continuity, internal audit, insurance and governance.

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

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

### Strategic Risk Management

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

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





The Board has delegated authority to the Audit and Risk Committee to scrutinise risk controls and mitigating actions and report any concerns to the Board.

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

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

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

| | Risk / Priority | Inherent Risk | Residual Risk | Current Direction of Travel | Risk actions in place and on track | Financial Golden Rules status |
|---|---|---|---|---|---|---|
| | **Priority One: Great customer experience** | | | | | |
| 1 | Failure to manage the impact of welfare reform changes | | | → | Yes | In tolerance |
| 2 | Inability to let our homes and manage increased voids | | | → | Yes | In tolerance |
| 3 | Significant financial loss | | | → | Yes | In tolerance |
| | **Priority Two: Delivering quality places to live and improving neighbourhoods** | | | | | |
| 5 | Inability to adapt to a changing housing market, customer groups and demographics | | | → | Yes | In tolerance |
| 6 | Failure to manage a growing development programme | | | → | Yes | In tolerance |
| 7 | Failure to manage our asset base, repairs and investment programme for the benefit of tenants | | | ↑ | Yes | In tolerance |
| | **Priority Three: Being Team Thirteen** | | | | | |
| 4 | Failure of governance arrangements across the Group | | | → | Yes | In tolerance |
| 8 | Information governance and data protection arrangements are compromised | | | → | Yes | In tolerance |
| 9 | Failure to keep tenants, customers and colleagues legal and safe | | | → | Yes | In tolerance |
| 10 | Failure to continue to embed, develop and transform the way we work | | | → | Yes | In tolerance |

# Strategic Report
## Operating Environment and Risk Management

**(continued)**

**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.**

### Service Risk Management

Strategic risks are supported by operational service risk registers, which are in place for all key service areas. These are reviewed by service directors, and progress against mitigating controls and actions are monitored quarterly. Thirteen Homes Board has its own risk register, which is monitored at each meeting.

### Management of Financial Risks

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

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

*Interest rate risk*

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

*Liquidity risk*

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

*Counterparty risk*

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

*Credit risk*

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

*Golden Rules*

The Board's financial risk appetite is linked to the strategic risks and managed through a set of Golden Rules which identify acceptable tolerance levels for six financial measures: Minimum cash and cash equivalent, capital funding liquidity, intragroup on lending limit, minimum interest cover, maximum gearing and minimum asset cover.





### Internal controls assurance

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

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

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

### Management Controls

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

### Independent Assessment

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

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

The Board has reviewed the effectiveness of its systems of internal control, including risk management, for the year to 31 March 2019, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

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

### Going Concern

The Board has considered the financial impact of the strategic priorities and development plans as part of their approval of the latest financial plan in May 2019. The approval process included rigorous stress-testing of the plan to ensure its continuing viability under certain circumstances, specific to Thirteen. The group has long-term debt facilities in place, which includes £121.7m undrawn facilities at 31 March 2019 and is in line with financial plan forecasts.

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





# Strategic Report
## What are we Going to Deliver - Our Plans for 2019-2024

**We've had the same four priorities for the organisation since 2016. This has been helpful as it's provided clarity when we've been delivering so much change and improvement within Thirteen. We've now reflected with colleagues and board directors and feel our original priority two – being a social entrepreneur - is much more part of day-to-day operations now.**

**Because of this we're focusing on three priorities from April 2019 and elements of being a social entrepreneur are intrinsic in all three of them. The three priorities are:**

thirteen
£1bn
investment

# Strategic Report
## What are we Going to Deliver - Our Plans for 2019-2024

**(continued)**

## Priority One: Great Customer Experience

We want customers to see us as the housing association of choice. That means even further cementing our commitment that everyone should get the same quality of service, no matter where or how they come into contact with us.

Some people may want to get on the home ownership ladder, rent a property or have a repair carried out and we want to sure we give the same service we'd expect as a customer ourselves.

That's not just when it comes to our homes. We know that some people need a helping hand and that's why we continue to focus on accommodation-based support and specialist support services too.

**Outcomes we will deliver**

- More of our tenants staying with us longer
- Letting more of our homes and quicker
- Improved customer experience
- Less debt owed to Thirteen

### Key actions:

#### 1. Touchpoint Programme

We're investing in our Touchpoint programme which will deliver a consistent, high level of customer support and services wherever the customer is, whenever the customer needs it and whatever the customer needs, including a high street presence and new digital approach, and investing in our contact team at the end of the phone, to make all our services more accessible, direct, quick and easy.

#### 2. Replace choice based lettings

When it comes to renting a home, meeting the expectations of current and prospective tenants is key. We'll deliver a new digital platform, making it easier for people to get a home with us, manage their tenancy and access our services.

#### 3. Further improvements to our repairs service

Our new repairs system introduced in 2017 is better for allocating repairs and has meant a massive improvement in the service. We're now planning further improvements to the repairs system to improve productivity and effectiveness.

#### 4. Promote our total service offer

As well as the core services we provide as a housing association, we need to promote the full and varied range of additional services available to current and potential customers, including specialist housing, support services and independent living.





## Priority Two: Delivering Quality Places to Live and Improving Neighbourhoods

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

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

**Outcomes we will deliver**

- Improved customer experience
- More tenants staying with us for longer

### Key actions:

#### 1. Investing in our homes

Last year we invested £38.2m in our homes and neighbourhoods and this year, our continuous programme of improving our stock will continue. A typical year sees 4,000 homes receive work, including new roofs, kitchens, bathrooms, windows and doors and energy efficient boilers installed.

#### 2. Neighbourhoods at the heart

We'll carry out a number of pilots to make improvements in neighbourhoods, with intensive neighbourhood management to ensure tenants have a safe home and quality neighbourhood, making sure they can, and want, to stay.

#### 3. Building new homes

As people move through life they want more choice. Last year we spent £29m on developing new homes. Our plan is to build 6,648 places for people to live over the next ten years including affordable properties, those for shared ownership and homes for market sale.

#### 4. Thirteenplus - health and independence

People's lives are changed as we help them into healthier, independent living. That's where Thirteenplus comes in, in addition to our core homes and services. Our range of specialist accommodation is tailored to people's needs, including care leavers, the homeless, teenage parents, people with profound learning disabilities and victims of domestic abuse. We also offer home adaptations to enable older people to stay in their homes longer and supported accommodation when they choose to move on. We're also planning to build a further 700 homes for people with specialist needs.

#### 5. Thirteenplus - additional support services

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

#### 6. High-rise properties

During 2018 we carried out a review of our 18 high-rise blocks and concluded that we'd rehome people from five of these buildings, then demolish them and replace them with new housing. We're now part-way through finding new homes for the affected households. We're also going to deliver fire suppression to our remaining high-rise blocks with one block already completed.

# Strategic Report
## What are we Going to Deliver - Our Plans for 2019-2024

**(continued)**

### Priority Three: Being Team Thirteen

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

Making sure we deliver high quality services to our 70,000 customers in a coordinated way depends critically on attracting and retaining the right people with the right skills, who are ambassadors for Thirteen. Part of that means providing a supportive and motivating environment for our 1,500 colleagues.

**Outcomes we will deliver**

- **Remain financially sound**
- **Employer of choice**
- **Invest in our people**
- **Strong governance, ensuring we remain legal and safe and fully compliant**
- **Embed agile working arrangements**

### Key actions:

#### 1. Be Thirteen - improving our colleagues' experience of working with us

Thirteen colleagues are passionate about what they do. They care about making a difference and striving to improve. Proud of our achievements, we also know we have areas to improve and these are firmly in our plans. We need to remain flexible, with a clear focus on our role in helping to address housing need and improving services for the people in our area. Each element of the employee life cycle is of vital importance; from 'attract me', to 'get me started', to 'develop me', right through to 'wish me farewell', enabling us to attract and retain excellent colleagues, knowing when someone leaves us, they remain an ambassador for the organisation.

#### 2. Right Space, Right Place

With the introduction of our new operating model, not as many colleagues are using our two main offices. We've been carrying out a review and will finalise this to determine the most efficient way to run our support offices. We'll also explore providing more bases within neighbourhoods and support agile working with investment in systems and equipment.

#### 3. Doing things differently

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

#### 4. Financing the Plan

We already know we have significant financial capacity to deliver this plan after consolidating the landlords and care and support arm in 2017. To deliver the level of investment planned within our existing homes and neighbourhoods, as well as in new homes, we'll need to secure additional borrowing that's within our financial capacity, so we can deliver the ambition of the plan.





# Strategic Report
## 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
- 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 2019. It is also responsible for safeguarding the assets of the RSL and for taking reasonable steps to prevent and detect fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 18 September 2019.

**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 18 September 2019 and signed by order of the Board by:

**George Garlick**
**Chair of Thirteen Housing Group**

# Independent Auditors' Report to the Members of Thirteen Housing Group
## Report on the financial statements

### Opinion

In our opinion, Thirteen Housing Group Limited's group 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 as at 31 March 2019 and of the group's and association's income and expenditure, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 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 2019; the Group and Association Statements of Comprehensive Income; the Group and Association Statements of Changes in Reserves; the Group Statement of Cash Flow for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

### Reporting on other information

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

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





### Responsibilities for the financial statements and the audit

#### *Responsibilities of the Board for the financial statements*

As explained more fully in the Statements of Board's Responsibilities set out on page 41, the Board is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the association'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 association; or
- the association financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

**Michael Jeffrey**
**For and on behalf of PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**
**Newcastle upon Tyne**
**23 September 2019**

# Group Statement of Comprehensive Income

## For the year ended 31 March 2019

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| **Turnover** | 3 | 180,338 | 159,827 |
| Cost of sales | 3 | (18,508) | (837) |
| Operating expenditure | 3 | (129,827) | (120,034) |
| Gain on disposal of housing property assets | 6 | 2,407 | 1,671 |
| **Operating surplus** | 5 | 34,410 | 40,627 |
| Gain on disposal of other fixed assets | 6 | 350 | 280 |
| Change in valuation of investment properties | 14 | - | (823) |
| Interest receivable | 7 | 79 | 34 |
| Interest payable and similar charges | 8 | (10,352) | (11,472) |
| Other finance costs | 29 | (1,402) | (988) |
| **Surplus on ordinary activities before taxation** | | 23,085 | 27,658 |
| Tax on surplus on ordinary activities | 11 | 35 | 1 |
| **Surplus for the year** | | 23,120 | 27,659 |
| Actuarial gain/(loss) in respect of pension schemes | 29 | 2,862 | (3,292) |
| Remeasurement gain in respect of pension scheme | 29 | - | 50 |
| Initial measurement of defined benefit pension liability | 29 | (5,809) | - |
| Movement on deferred tax | 11 | 67 | - |
| **Total comprehensive income for the year** | | 20,240 | 24,417 |

The consolidated results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements on pages 48 to 112 were approved and authorised for issue by the board of directors on 18 September 2019 and signed on its behalf by:

| | | |
|---|---|---|
| George Garlick<br>Director | Ian Wardle<br>Director | Barbara Heather Ashton<br>Secretary |





# Association Statement of Comprehensive Income

## For the year ended 31 March 2019

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| **Turnover** | 3 | 171,507 | 159,448 |
| Cost of sales | 3 | (10,040) | (837) |
| Operating expenditure | 3 | (128,472) | (119,795) |
| Gain on disposal of housing property assets | 6 | 2,407 | 1,671 |
| **Operating surplus** | 5 | 35,402 | 40,487 |
| Gain on disposal of other fixed assets | 6 | 350 | 280 |
| Change in valuation of investment properties | 14 | - | (823) |
| Interest receivable | 7 | 79 | 34 |
| Interest payable and similar charges | 8 | (10,325) | (11,472) |
| Other finance costs | 29 | (1,404) | (988) |
| Gift Aid | | 185 | 140 |
| **Surplus on ordinary activities before taxation** | | 24,287 | 27,658 |
| Tax on surplus on ordinary activities | 11 | (8) | (6) |
| **Surplus for the year** | | 24,279 | 27,652 |
| Actuarial gain/(loss) in respect of pension schemes | 29 | 3,254 | (3,292) |
| Initial measurement of defined benefit pension liability | 29 | (5,809) | - |
| Remeasurement gain in respect of pension scheme | 29 | - | 50 |
| **Total comprehensive income for the year** | | 21,724 | 24,410 |

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements on pages 48 to 112 were approved and authorised for issue by the board of directors on 18 September 2019 and signed on its behalf by:

| | | |
|---|---|---|
| George Garlick<br>Director | Ian Wardle<br>Director | Barbara Heather Ashton<br>Secretary |

# Group Statement of Changes in Reserves

**For the year ended 31 March 2019**

| | Income and Expenditure Reserve £'000 | Restricted Reserve £'000 | Revaluation Reserve £'000 | Minority Interest £'000 | Total Reserves £'000 |
|---|---|---|---|---|---|
| **As at 1 April 2017** | 282,905 | 441 | 294,489 | 12 | 577,847 |
| Surplus for the year | 27,659 | - | - | - | 27,659 |
| Other comprehensive income | (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 1 April 2018** | 310,226 | 7,315 | 284,711 | - | 602,252 |
| Surplus for the year | 23,120 | - | - | - | 23,120 |
| Other comprehensive expense | (2,880) | - | - | - | (2,880) |
| Transfer with the revaluation reserve | 4,245 | - | (4,245) | - | - |
| Transfer with the restricted reserve | 6,877 | (6,877) | - | - | - |
| **As at 31 March 2019** | 341,588 | 438 | 280,466 | - | 622,492 |

**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 2019, the income and expenditure reserve included £56.1 million defined pension liability (2018: £49.7 million).





# Association Statement of Changes in Reserves

**For the year ended 31 March 2019**

| | Income and Expenditure Reserve £'000 | Restricted Reserve £'000 | Revaluation Reserve £'000 | Total Reserves £'000 |
|---|---|---|---|---|
| **As at 1 April 2017** | 282,905 | 441 | 294,389 | 577,735 |
| Surplus for the year | 27,652 | - | - | 27,652 |
| Other comprehensive income | (3,242) | - | - | (3,242) |
| Transfer with the revaluation reserve | 9,678 | - | (9,678) | - |
| Transfer with the restricted reserve | (6,874) | 6,874 | - | - |
| **As at 1 April 2018** | 310,119 | 7,315 | 284,711 | 602,145 |
| Surplus for the year | 24,279 | - | - | 24,279 |
| Other comprehensive expense | (2,555) | - | - | (2,555) |
| Transfer with the revaluation reserve | 4,245 | - | (4,245) | - |
| Transfer with the restricted reserve | 6,877 | (6,877) | - | - |
| **As at 31 March 2019** | 342,965 | 438 | 280,466 | 623,869 |

**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 2019, the income and expenditure reserve included £56.1 million defined pension liability (2018: £49.7 million).

The accompanying notes form part of these financial statements.

# Statement of Financial Position

## As at 31 March 2019

| | Notes | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible fixed assets | 12,13 | 1,040,116 | 1,003,043 | 1,039,497 | 1,003,043 |
| Investment properties | 14 | 3,865 | 3,770 | 3,770 | 3,770 |
| Intangible fixed assets | 15 | 1,861 | - | - | - |
| Homebuy loans receivable | 16 | 982 | 1,047 | 982 | 1,047 |
| Financial assets | 17 | 1 | 1 | - | - |
| Investments in subsidiaries | 18 | - | - | 50 | 50 |
| Total fixed assets | | 1,046,825 | 1,007,861 | 1,044,299 | 1,007,910 |
| **Current assets** | | | | | |
| Stock | 19 | 9,714 | 12,102 | 9,658 | 12,102 |
| Debtors | 20 | 20,185 | 14,079 | 18,807 | 14,282 |
| Cash and cash equivalents | 21 | 9,245 | 7,414 | 7,347 | 6,932 |
| | | 39,144 | 33,595 | 35,812 | 33,316 |
| **Creditors: amounts falling due within one year** | 22 | (50,377) | (35,663) | (43,488) | (35,540) |
| **Net current liabilities** | | (11,233) | (2,068) | (7,676) | (2,224) |
| **Total assets less current liabilities** | | 1,035,592 | 1,005,793 | 1,036,623 | 1,005,686 |
| **Creditors: amounts falling due after more than one year** | 23 | (352,207) | (353,804) | (352,195) | (353,804) |
| **Provisions for liabilities** | | | | | |
| Pension provisions | 29 | (60,893) | (49,737) | (60,559) | (49,737) |
| **Total net assets** | | 622,492 | 602,252 | 623,869 | 602,145 |
| **Reserves** | | | | | |
| Revaluation reserve | | 280,466 | 284,711 | 280,466 | 284,711 |
| Restricted reserve | | 438 | 7,315 | 438 | 7,315 |
| Revenue reserve | | 341,588 | 310,226 | 342,965 | 310,119 |
| **Total Reserves** | | 622,492 | 602,252 | 623,869 | 602,145 |

The accompanying notes form part of these financial statements.
The financial statements on pages 48 to 112 were approved and authorised for issue by the board of directors on 18 September 2019 and signed on its behalf by:

| | | |
|---|---|---|
| George Garlick<br>Director | Ian Wardle<br>Director | Barbara Heather Ashton<br>Secretary |





# Group Statement of Cash Flows

## For the year ended 31 March 2019

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| Net cash generated from operating activities | 32 | 57,261 | 60,514 |
| **Cash flow from investing activities** | | | |
| Purchase of tangible fixed assets | | (68,262) | (36,675) |
| Proceeds from sale of tangible fixed assets | | 18,180 | 6,791 |
| Loans advanced to home owners | | 65 | 54 |
| Loans repaid by third parties | | - | - |
| Grants received | | 12,495 | 2,926 |
| Interest received | | 79 | 34 |
| Acquisition of subsidiaries net of cash acquired | | (1,137) | - |
| | | (38,580) | (26,870) |
| **Cash flow from financing activities** | | | |
| Interest paid | | (11,988) | (13,141) |
| New secured loans | | 14,000 | - |
| Repayments of borrowings | | (18,863) | (44,438) |
| | | (16,851) | (57,579) |
| **Net change in cash and cash equivalents** | | 1,831 | (23,935) |
| Cash and cash equivalents at beginning of the year | | 7,414 | 31,349 |
| **Cash and cash equivalents at end of the year** | | 9,244 | 7,414 |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## 1. Statement of compliance

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

The financial statements of the group and association have been prepared in compliance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as it applies to the financial statements of the group and association for the year ended 31 March 2019.

## 2. Accounting policies

### Basis of accounting

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

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

### Measurement convention

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

### Basis of consolidation

The group financial statements consolidate the financial statements of the association and its subsidiaries at 31 March. The group reconstruction on 1 July 2017 has been accounted for as a merger in accordance with sections 19.27 to 19.33 of FRS102 and, as the group is a Public Benefit Entity, sections PBE 34.80 to PBE 34.86 of FRS 102. Accounting policies have been applied consistently across the group.

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

Gus Robinson Developments is a wholly owned subsidiary of Thirteen Homes Limited and has been included in the group financial statements using the acquisition method of accounting. Accordingly, the Group Statement of Comprehensive Income and Group Statement of Cash Flows include the results and cash flows for Gus Robinson Developments Limited for the period since its acquisition on 5 December 2018. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

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





# Notes to the Financial Statements

## 2. Accounting policies (continued)

### Turnover

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

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

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

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

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

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

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

Losses from bad debts are included in operating costs.

### Bad debts

Provision is based on collection rate experience and consideration of future changes which may affect collection rates.

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

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

### Value added tax

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

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

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

# Notes to the Financial Statements

## 2. Accounting policies (continued)

### Retirement benefits

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

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

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

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

### Interests in joint ventures

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

### Housing properties

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

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

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

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

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.



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# Notes to the Financial Statements

## 2. Accounting policies (continued)

### Investment property

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

### Depreciation of housing properties

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

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

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

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

| | Years |
|---|---|
| • Land | Not depreciated |
| • Structure | 25-125 |
| • Structural works | 25-125 |
| • Short Leasehold | Over life of lease |
| • Roofs | 50 |
| • Kitchens | 20 |
| • Bathrooms | 30 |
| • Windows | 30 |
| • Doors | 30 |

| | Years |
|---|---|
| • Electrical | 30 |
| • Heating | 15 |
| • Boiler only | 15 |
| • Compliance & Security | 12 |
| • Aids & Adaptations | 15 |
| • Environmental works | 15 |
| • Air Source Heat Pumps | 20 |
| • Solar/PV Panels | 25 |

### Impairment

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

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

# Notes to the Financial Statements

## 2. Accounting policies (continued)

### Other tangible fixed assets

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

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

| | Years |
|---|---|
| • 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.

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

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

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

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





Notes to the Financial Statements

## 2. Accounting policies (continued)

### Social housing grant

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.

### Reserves

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

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

### Significant judgements

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

#### *Property classifications*

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

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

# Notes to the Financial Statements

## 2. Accounting policies (continued)

***Impairment assessment***

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

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

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

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

***Financial instrument classifications***

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

***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 for properties previously held by 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.





# Notes to the Financial Statements

## 2. Accounting policies (continued)

***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.

**Estimation Uncertainty**

***Property components and lives***

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

***Recoverable amount of rental and other debtors***

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

# Notes to the Financial Statements

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

| Group - continuing activities | Turnover £'000 | Cost of sales £'000 | Operating expenditure £'000 | Gain on disposal of assets £'000 | 2019 Operating surplus/ (deficit) £'000 |
|---|---|---|---|---|---|
| **Social housing lettings** | 151,264 | - | (112,383) | - | 38,881 |
| **Other social housing activities** | | | | | |
| Current asset property sales | 10,629 | (10,040) | - | - | 589 |
| Supporting people contract income | 1,284 | - | (1,649) | - | (365) |
| Charges for support services | 1,208 | - | (1,550) | - | (342) |
| Revenue grants from local authorities and other agencies | 1,398 | - | (1,794) | - | (396) |
| Development costs not capitalised | - | - | (829) | - | (829) |
| Community / neighbourhood services | 1,598 | - | (5,503) | - | (3,905) |
| Management services | 705 | - | (491) | - | 214 |
| Other | 393 | - | (568) | - | (175) |
| | 17,215 | (10,040) | (12,384) | - | (5,209) |
| **Activities other than social housing activities** | | | | | |
| Fixed asset sales | - | - | - | 2,407 | 2,407 |
| Commercial building and construction | 8,290 | (8,468) | (430) | - | (608) |
| Student accommodation | 306 | - | (150) | - | 156 |
| Market rent | 146 | - | (195) | - | (49) |
| Commercial units | 573 | - | (649) | - | (76) |
| Garages | 726 | - | (356) | - | 370 |
| Management services | 477 | - | (879) | - | (402) |
| Restructuring costs | - | - | (464) | - | (464) |
| Amortisation of goodwill | - | - | (59) | - | (59) |
| Other | 1,341 | - | (1,878) | - | (537) |
| | 11,859 | (8,468) | (5,060) | 2,407 | 738 |
| **Operating surplus** | 180,338 | (18,508) | (129,827) | 2,407 | 34,410 |





# Notes to the Financial Statements

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

| Group - continuing activities | Turnover £'000 | Cost of sales £'000 | Operating expenditure £'000 | Gain on disposal of assets £'000 | 2018 Operating surplus/ (deficit) £'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) |
| Community / neighbourhood services | - | - | (156) | | (156) |
| Management services | 715 | - | (374) | - | 341 |
| Other | 582 | - | (1,461) | | (879) |
| | 7,758 | (837) | (7,137) | - | (216) |
| **Activities other than social housing activities** | | | | | |
| Fixed asset sales | - | - | - | 1,671 | 1,671 |
| Market rent | 140 | - | (321) | - | (181) |
| Student accommodation | 213 | - | (109) | | 104 |
| Commercial units | 586 | - | (343) | | |
| Garages | 734 | - | (835) | - | (101) |
| Management services | 815 | - | (1,002) | | (187) |
| Restructuring costs | - | - | (3,862) | | (3,862) |
| Other | 1,307 | - | (1,329) | - | (22) |
| | 3,795 | - | (7,801) | 1,671 | (2,335) |
| **Operating surplus** | 159,827 | (837) | (120,034) | 1,671 | 40,627 |

# Notes to the Financial Statements

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

| Association - continuing activities | Turnover £'000 | Cost of sales £'000 | Operating expenditure £'000 | Gain on disposal of assets £'000 | 2019 Operating surplus/ (deficit) £'000 |
|---|---|---|---|---|---|
| **Social housing lettings** | 151,258 | - | (112,354) | - | 38,904 |
| **Other social housing activities** | | | | | |
| Current asset property sales | 10,629 | (10,040) | - | - | 589 |
| Supporting people contract income | 1,284 | - | (1,649) | - | (365) |
| Charges for support services | 1,208 | - | (1,550) | - | (342) |
| Revenue grants from local authorities and other agencies | 1,398 | - | (1,794) | - | (396) |
| Development services | - | - | (829) | - | (829) |
| Community / neighbourhood services | 1,598 | - | (5,503) | - | (3,905) |
| Management services | 705 | - | (491) | - | 214 |
| Other | 394 | - | (568) | - | (174) |
| | 17,216 | (10,040) | (12,384) | - | (5,208) |
| **Activities other than social housing activities** | | | | | |
| Fixed asset sales | - | - | - | 2,407 | 2,407 |
| Market rent | 146 | - | (195) | - | (49) |
| Commercial units | 573 | - | (649) | - | (76) |
| Garages | 726 | - | (356) | | 370 |
| Management services | 388 | - | (832) | - | (444) |
| Restructuring costs | - | - | (464) | | (464) |
| Other | 1,200 | - | (1,238) | - | (38) |
| | 3,033 | - | (3,734) | 2,407 | 1,706 |
| **Operating surplus** | 171,507 | (10,040) | (128,468) | 2,407 | 35,402 |





# Notes to the Financial Statements

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

| Association - continuing activities | Turnover £'000 | Cost of sales £'000 | Operating expenditure £'000 | Gain on disposal of assets £'000 | 2018 Operating surplus/ (deficit) £'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) |
| Community / neighbourhood services | - | - | (156) | - | (156) |
| Management services | 715 | - | (374) | - | 341 |
| Other | 533 | - | (1,461) | - | (928) |
| | 7,709 | (837) | (7,137) | - | (265) |
| **Activities other than social housing activities** | | | | | |
| Fixed asset sales | - | - | - | 1,671 | 1,671 |
| Market rent | 140 | - | (321) | - | (181) |
| Student accommodation | 93 | - | (42) | | |
| Commercial units | 586 | - | (343) | | 243 |
| Garages | 734 | - | (835) | - | (101) |
| Management services | 742 | - | (983) | - | (241) |
| Restructuring costs | - | - | (3,862) | - | (3,862) |
| Other | 1,170 | - | (1,210) | - | (40) |
| | 3,465 | - | (7,596) | 1,671 | (2,460) |
| **Operating surplus** | 159,448 | (837) | (119,795) | 1,671 | 40,487 |

# Notes to the Financial Statements

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

| Group | General needs housing £'000 | Supported housing and housing for older people £'000 | Low cost home ownership £'000 | 2019 Total £'000 | 2018 Total £'000 |
|---|---|---|---|---|---|
| Rent receivable net of identifiable service charges | 123,103 | 13,147 | 2,578 | 138,828 | 139,894 |
| Service charge income | 3,670 | 3,317 | 377 | 7,364 | 7,277 |
| Amortised government grants | 1,232 | - | - | 1,232 | 1,103 |
| Other grants | 3,840 | - | - | 3,840 | - |
| **Turnover from social housing lettings** | 131,845 | 16,464 | 2,955 | 151,264 | 148,274 |
| Management | (17,187) | (2,026) | (510) | (19,723) | (19,364) |
| Service charge costs | (6,762) | (4,805) | (202) | (11,769) | (9,943) |
| Routine maintenance | (28,671) | (2,469) | (351) | (31,491) | (25,541) |
| Planned maintenance | (2,929) | (280) | (36) | (3,245) | (3,451) |
| Major repairs expenditure | (18,882) | (1,198) | (389) | (20,469) | (19,401) |
| Bad debts | (2,362) | (246) | (80) | (2,688) | (4,048) |
| Property lease charges | (106) | - | - | (106) | - |
| Depreciation of housing properties | (19,743) | (2,056) | (669) | (22,468) | (18,253) |
| Impairment of housing properties | (424) | - | - | (424) | (5,095) |
| **Operating expenditure on social housing lettings** | (97,066) | (13,080) | (2,237) | (112,383) | (105,096) |
| **Operating surplus on social housing lettings** | 34,779 | 3,384 | 718 | 38,881 | 43,178 |
| **Void losses** | (2,168) | (647) | (112) | (2,927) | (3,260) |





# Notes to the Financial Statements

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

| Association | General needs housing £'000 | Supported housing and housing for older people £'000 | Low cost home ownership £'000 | 2019 Total £'000 | 2018 Total £'000 |
|---|---|---|---|---|---|
| Rent receivable net of identifiable service charges | 123,103 | 13,141 | 2,578 | 138,822 | 139,894 |
| Service charge income | 3,670 | 3,317 | 377 | 7,364 | 7,277 |
| Amortised government grants | 1,232 | - | - | 1,232 | 1,103 |
| Other grants | 3,840 | - | - | 3,840 | - |
| **Turnover from social housing lettings** | 131,845 | 16,458 | 2,955 | 151,258 | 148,274 |
| Management | (17,187) | (2,025) | (510) | (19,722) | (19,363) |
| Service charge costs | (6,747) | (4,805) | (202) | (11,754) | (9,930) |
| Routine maintenance | (28,658) | (2,469) | (351) | (31,478) | (25,535) |
| Planned maintenance | (2,929) | (280) | (36) | (3,245) | (3,451) |
| Major repairs expenditure | (18,882) | (1,198) | (389) | (20,469) | (19,387) |
| Bad debts | (2,362) | (246) | (80) | (2,688) | (4,048) |
| Property lease charges | (106) | - | - | (106) | - |
| Depreciation of housing properties | (19,743) | (2,056) | (669) | (22,468) | (18,253) |
| Impairment of housing properties | (424) | - | - | (424) | (5,095) |
| **Operating expenditure on social housing lettings** | (97,038) | (13,079) | (2,237) | (112,354) | (105,062) |
| **Operating surplus on social housing lettings** | 34,807 | 3,379 | 718 | 38,904 | 43,212 |
| **Void losses** | (2,168) | (647) | (112) | (2,927) | (3,260) |

# Notes to the Financial Statements

## 3. Particulars of turnover, cost of sales, operating expenditure and operating surplus (continued)
## Particulars of income and expenditure from social housing lettings

**Group and Association**

The operating surplus by current asset property sales were generated as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| First tranche shared ownership | 123 | 1,118 |
| Outright sale | 466 | 41 |
| | 589 | 1,159 |





# Notes to the Financial Statements

## 4. Accommodation in management and development

**Group and Association**

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

| | 2019 Number of properties | 2018 Number of properties |
|---|---|---|
| **Social housing** | | |
| General housing | | |
| - social rent | 25,228 | 25,266 |
| - affordable rent | 3,397 | 2,971 |
| Supported housing and housing for older people | 3,095 | 2,998 |
| Low cost home ownership | 1,014 | 915 |
| **Total owned** | 32,734 | 32,150 |
| General housing managed for others | 120 | 120 |
| Supported housing managed for others | 23 | 23 |
| Leasehold properties | 708 | 697 |
| **Total owned and managed** | 33,585 | 32,990 |
| **Non-social housing** | | |
| Market rented | 66 | 34 |
| Student accommodation | 125 | 81 |
| Leasehold properties | 82 | 72 |
| | 273 | 187 |
| **Total owned and managed** | 33,858 | 33,177 |
| **Accommodation in development at the year end** | 520 | 401 |

# Notes to the Financial Statements

## 5. Operating surplus

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| **This is arrived after charging:** | | | | |
| Amortisation of goodwill | 60 | - | - | - |
| Depreciation of social housing properties | 22,468 | 17,765 | 22,468 | 17,765 |
| Impairment of housing properties | 424 | 4,363 | 424 | 4,363 |
| Depreciation of other tangible fixed assets | 2,548 | 3,130 | 2,495 | 3,130 |
| Impairment of other tangible fixed assets | - | 732 | - | 732 |
| Operating lease rentals | | | | |
| - Land and buildings | 297 | 348 | 297 | 348 |
| - Office equipment and computers | 150 | 128 | 150 | 128 |
| - Motor vehicles | 1,484 | 1,422 | 1,484 | 1,422 |
| Auditors' remuneration (excluding VAT) | | | | |
| - For audit services | 105 | 74 | 105 | 74 |
| - For taxation advisory services | 19 | 18 | 18 | 18 |
| - For taxation compliance services | 12 | 12 | 12 | 12 |
| - For audit related assurance services | 4 | 5 | 4 | 5 |
| - For other assurance services | 95 | 94 | 95 | 94 |

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



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# Notes to the Financial Statements

## 6. Gain on disposal of property, plant and equipment

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| **Housing properties** | | | | |
| Disposal proceeds | 6,936 | 6,781 | 6,936 | 6,781 |
| RTA grant received | 279 | 159 | 279 | 159 |
| Repayable to the local authority | (403) | (458) | (403) | (458) |
| Discount repaid | 42 | 31 | 42 | 31 |
| Carrying value of fixed assets | (4,418) | (4,603) | (4,418) | (4,603) |
| Administrative costs of sale | (29) | (239) | (29) | (239) |
| | 2,407 | 1,671 | 2,407 | 1,671 |
| **Other tangible fixed assets** | | | | |
| Disposal proceeds | 350 | 286 | 350 | 286 |
| Carrying value of fixed assets | - | (6) | - | (6) |
| | 350 | 280 | 350 | 280 |
| | 2,757 | 1,951 | 2,757 | 1,951 |

# Notes to the Financial Statements

## 7. Interest receivable

**Group and Association**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Bank interest receivable and similar income | 79 | 34 |
| | 79 | 34 |

## 8. Interest payable and similar charges

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Loans and bank overdrafts | 12,033 | 12,358 | 12,006 | 12,358 |
| Amortisation of borrowing costs | 40 | 41 | 40 | 41 |
| Interest payable charged to other activities | (116) | (106) | (116) | (106) |
| Other interest payable | 718 | 692 | 718 | 692 |
| | 12,675 | 12,985 | 12,648 | 12,985 |
| Interest payable capitalised on housing properties under construction | (2,323) | (1,513) | (2,323) | (1,513) |
| | 10,352 | 11,472 | 10,325 | 11,472 |

The average interest rate used to determine the amount of finance costs capitalised during the financial year was 4.1% (2018: 4.3%).





# Notes to the Financial Statements

## 9. Employees

| Average number of employees: | Group | | Association | |
|---|---|---|---|---|
| | 2019 Number | 2018 Number | 2019 Number | 2018 Number |
| Administration | 279 | 244 | 230 | 244 |
| Regeneration and development | 24 | 25 | 24 | 25 |
| Housing, support and care | 1,264 | 1,246 | 1,264 | 1,246 |
| | 1,567 | 1,515 | 1,518 | 1,515 |

| Expressed as full time equivalents: | Group | | Association | |
|---|---|---|---|---|
| | 2019 Number | 2018 Number | 2019 Number | 2018 Number |
| Administration | 271 | 232 | 222 | 232 |
| Regeneration and development | 23 | 24 | 23 | 24 |
| Housing, support and care | 1,176 | 1,106 | 1,176 | 1,106 |
| | 1,470 | 1,362 | 1,421 | 1,362 |

| Employee costs: | Group | | Association | |
|---|---|---|---|---|
| | 2019 Number | 2018 Number | 2019 Number | 2018 Number |
| Wages and salaries | 41,821 | 38,582 | 41,293 | 38,582 |
| Social security costs | 3,865 | 3,525 | 3,810 | 3,525 |
| Other pension costs | 3,547 | 3,508 | 3,527 | 3,508 |
| | 49,233 | 45,615 | 48,630 | 45,615 |
| Restructuring costs | 464 | 2,176 | 464 | 2,176 |
| | 49,697 | 47,791 | 49,094 | 47,791 |

Other pension costs exclude current service costs accounted for under section 28 of FRS 102. These service costs amounted to £2,417k for the financial year (2018: £2,219k) for the group and association.

Payments to the Social Housing Pension Scheme to fund past deficits were excluded from other pension costs. These payments amounted to £659k for the financial year (2018: £633k) for the group and association.

Payments to the Pensions Trust to fund past deficits of the growth plan were excluded from other pension costs in the prior year. These payments amounted to £9k for the group and association in 2017/18. This scheme ceased during 2017/18.

# Notes to the Financial Statements

## 10. Key management personnel

**Group and Association**

| Executive directors | Basic salary £'000 | Pension contributions £'000 | 2019 Total £'000 | 2018 Total £'000 |
|---|---|---|---|---|
| Ian Wardle | 163 | 26 | 189 | 188 |
| Barbara Heather Ashton | 131 | 21 | 152 | 151 |
| Russell Thompson | 131 | 13 | 144 | 142 |
| Christine Smith | 131 | 21 | 152 | 146 |
| Craig Taylor | 129 | 10 | 139 | - |
| Martin Hawthorne (to 30 June 2017) | - | - | - | 35 |
| Dave Pickard (to 30 June 2017) | - | - | - | 33 |
| | 685 | 91 | 776 | 695 |

During the year, the Group Chief Executive Ian Wardle was a member of the Local Government Pension scheme. He was an 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, no payments were made to executive directors in respect of loss of office (2018: £148,574).

The remuneration of the highest paid director, excluding pension contributions, was £163,216 (2018: £161,600).

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



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# Notes to the Financial Statements

## 10. Key management personnel (continued)

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 Number | 2018 Number | 2019 Number | 2018 Number |
| £60,000 to £70,000 | 2 | 1 | 2 | 1 |
| £70,001 to £80,000 | 1 | 2 | 1 | 2 |
| £80,001 to £90,000 | 3 | 5 | 3 | 5 |
| £90,001 to £100,000 | 6 | 2 | 6 | 2 |
| £100,001 to £110,000 | 1 | 1 | 1 | 1 |
| £110,001 to £120,000 | 1 | 1 | 1 | 1 |
| £120,001 to £130,000 | 1 | - | 1 | - |
| £130,001 to £140,000 | 1 | 1 | 1 | 1 |
| £140,001 to £150,000 | 1 | 2 | 1 | 2 |
| £150,001 to £160,000 | 2 | 1 | 2 | 1 |
| £180,001 to £190,000 | 1 | 1 | 1 | 1 |

# Notes to the Financial Statements

## 10. Key management personnel (continued)

**Non-executive directors**

Emoluments paid to non-executive directors of the group amounted to £134,217 (2018: £132,420) and reimbursement for expenses amounted to £2,011 (2018: £5,870). An analysis of these payments is shown below:

| | Basic salary £'000 | Expenses £'000 | 2019 Total £'000 | 2018 Total £'000 |
|---|---|---|---|---|
| Nadeem Ahmed | 2 | - | 2 | 2 |
| Kiersten Avery (from 24 January 2018) | 2 | - | 2 | 1 |
| Helen Batey | - | - | - | 1 |
| Clare Brayson | 12 | | 12 | 13 |
| Michael Bretherick | - | - | - | 1 |
| Ian Brown | - | - | - | 1 |
| Annette Clark | 12 | - | 12 | 13 |
| Julie Clarke | 3 | - | 3 | 8 |
| Brian Dinsdale | 8 | - | 8 | 9 |
| Margaret Fay (to 30 June 2017) | - | - | - | 3 |
| George Garlick | 20 | - | 20 | 20 |
| Miriam Harte | 4 | - | 4 | 4 |
| Tracey Harvey | - | - | - | 1 |
| Keith Hurst | 2 | - | 2 | 3 |
| James Johnsone | - | - | - | 1 |
| Carla Keegans | - | - | - | 3 |
| Andrew Lean | 12 | - | 12 | 14 |
| Zoe Lewis (from 8 January 2018) | 4 | - | 4 | 1 |
| Sarah Robson (from 8 January 2018) | 4 | - | 4 | - |
| Richard Buckley | 12 | - | 12 | 7 |
| Laura Mack (from 24 January 2018) | 2 | - | 2 | 1 |
| Hugh McGouran | - | - | - | 1 |
| Pamela McIvor | - | - | - | 1 |
| Steve Nelson (from 25 October 2017) | 8 | - | 8 | 6 |
| Neil Pattison | 3 | - | 3 | 2 |
| Gill Rollings (to 30 June 2017) | - | - | - | 2 |
| Mark Simpson | 8 | - | 8 | 9 |
| Christine Storrs (from 11 October 2017) | 2 | - | 2 | 2 |
| Mick Thompson | - | - | - | 1 |
| Michelle Tierney | - | - | - | 1 |
| Andrew Wilson | 1 | - | 1 | - |
| Robert Goward | 1 | - | 1 | - |
| Christopher Newton | 11 | - | 11 | 6 |
| Other expenses less than £500 | 1 | 2 | 3 | - |
| | 134 | 2 | 136 | 138 |





# Notes to the Financial Statements

## 11. Tax on surplus on ordinary activities

| | Group | | Association | |
|---|---|---|---|---|
| **Current tax** | **2019 £'000** | **2018 £'000** | **2019 £'000** | **2018 £'000** |
| UK corporation tax on profits for the year | - | 6 | 12 | 6 |
| Adjustments in respect of prior years | (4) | 1 | (4) | - |
| Total current tax charge | (4) | 7 | 8 | 6 |
| **Deferred tax** | | | | |
| Origination & reversal of timing differences | (40) | (9) | - | - |
| Effect of changes in tax rates | 3 | 1 | - | - |
| Adjustment for prior period | 2 | | | |
| Total deferred tax charge/(credit) | (35) | (8) | - | - |
| **Total tax on profit/(loss) on ordinary activities** | (39) | (1) | 8 | 6 |
| **Deferred tax current year charge/Credit to OCI** | (67) | - | - | - |
| | (67) | - | - | - |

**Factors affecting tax charge for the current year**

The tax charge for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

| | Group | | Association | |
|---|---|---|---|---|
| **Current tax** | **2019 £'000** | **2018 £'000** | **2019 £'000** | **2018 £'000** |
| Surplus on ordinary activities before taxation | 23,085 | 27,658 | 24,287 | 27,658 |
| Tax on surplus at standard UK tax rate of 19% (2018: 19%) | 4,386 | 5,255 | 4,615 | 5,255 |
| Effects of: | | | | |
| Charitable activities not taxable | (4,497) | (5,249) | (4,497) | (5,249) |
| Expenses not deductable for tax purposes | 106 | - | - | - |
| Capital losses not recognised | 63 | - | - | - |
| Effects of group relief | - | - | (106) | - |
| Changes in tax rates | 3 | 1 | - | - |
| Adjustment in respect of previous years | 2 | 1 | (4) | - |
| Qualifying charitable donations | (35) | | | |
| Recognition of surplus on DB scheme | 5 | - | - | - |
| Income not taxable | (68) | (9) | - | - |
| **Total current tax charge/(credit) for the financial year** | (35) | (1) | 8 | 6 |
| **Corporation Tax Liability** | - | 6 | 12 | 6 |

# Notes to the Financial Statements

## 11.Tax on surplus on ordinary activities (continued)

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| **Deferred tax (asset)/liability** | | | | |
| Short term timing differences | (100) | (8) | - | - |
| Deferred tax: | | | | |
| 1 April 2018 - Thirteen Group | (8) | - | - | - |
| 1 October 2017 - GRD | 9 | - | - | - |
| Credit to the income statement | (35) | (8) | - | - |
| Credit to the SOCI | (67) | - | - | - |
| Adjustment for the prior year | 1 | - | - | - |
| 31 March 2019 | (100) | (8) | - | - |





# Notes to the Financial Statements

## 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 2018 | 931,982 | 70,713 | 52,080 | 8,866 | 1,063,641 |
| Additions | - | 28,448 | - | 16,888 | 45,336 |
| Works to existing properties | - | 18,713 | - | - | 18,713 |
| Interest capitalised | - | 1,238 | - | 344 | 1,582 |
| Schemes completed | 44,075 | (42,470) | 16,325 | (18,565) | (635) |
| Disposals | (8,986) | - | (1,144) | - | (10,130) |
| Transfer to other fixed assets | - | (976) | - | - | (976) |
| Transfer from/(to) current assets | - | - | 232 | (3,165) | (2,933) |
| At 31 March 2019 | 967,071 | 75,666 | 67,493 | 4,368 | 1,114,598 |
| **Accumulated depreciation and impairment** | | | | | |
| At 1 April 2018 | 95,381 | 3,795 | 4,810 | 169 | 104,155 |
| Depreciation charged in year | 21,782 | - | 686 | - | 22,468 |
| Impairment charged in year | 424 | - | - | - | 424 |
| Depreciation released on disposal | (6,029) | - | (151) | - | (6,180) |
| At 31 March 2019 | 111,558 | 3,795 | 5,345 | 169 | 120,867 |
| **Net book value** | | | | | |
| **At 31 March 2019** | **855,513** | **71,871** | **62,148** | **4,199** | **993,731** |
| At 31 March 2018 | 836,601 | 66,918 | 47,270 | 8,697 | 959,486 |

# Notes to the Financial Statements

## 12. Tangible fixed assets – housing properties

**Social housing assistance**

Total accumulated social housing grant receivable at 31 March was:

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---|---|---|---|---|
| Amounts held as deferred income | 129,059 | 120,753 | 129,059 | 120,753 |
| Amounts charged to income and expenditure | 73,324 | 72,092 | 73,324 | 72,092 |
| | 202,383 | 192,845 | 202,383 | 192,845 |

**Housing properties book value, net of depreciation**

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---|---|---|---|---|
| Freehold land and buildings | 978,972 | 944,042 | 978,972 | 944,042 |
| Long leasehold land and buildings | 14,265 | 14,828 | 14,265 | 14,828 |
| Short leasehold land and buildings | 494 | 616 | 494 | 616 |
| | 993,731 | 959,486 | 993,731 | 959,486 |

**Expenditure on works to existing properties**

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---|---|---|---|---|
| Components capitalised to property assets | 18,713 | 13,525 | 18,713 | 13,525 |
| Components capitalised to other fixed assets | 1,515 | 880 | 1,515 | 880 |
| Amounts charged to income and expenditure account | 20,469 | 19,401 | 20,469 | 19,387 |
| | 40,697 | 33,806 | 40,697 | 33,792 |

**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 £0.5 million was made in 2019 (2018: £4.4m) following the strategic decision by the Board to rationalise high rise properties. The impairments relate to 5 high rise properties that were identified for demolition and redevelopment.





# Notes to the Financial Statements

## 13. Tangible fixed assets – other

| Group | Freehold land and buildings £'000 | Furniture fittings and ICT / office equipment £'000 | Other plant and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2018 | 32,521 | 27,426 | 2,448 | 167 | 62,562 |
| Acquired | 682 | 78 | 216 | 172 | 1,148 |
| Additions | - | 3,585 | 169 | 9 | 3,763 |
| Disposals | (51) | - | - | (120) | (171) |
| Transfers | 1,522 | (545) | - | - | 977 |
| At 31 March 2019 | 34,674 | 30,544 | 2,833 | 228 | 68,279 |
| **Accumulated depreciation** | | | | | |
| At 1 April 2018 | 2,287 | 15,857 | 696 | 165 | 19,005 |
| Acquired | 52 | 66 | 211 | 103 | 432 |
| Charged in year | 340 | 2,064 | 123 | 21 | 2,548 |
| Released on disposal | (11) | - | - | (80) | (91) |
| At 31 March 2019 | 2,668 | 17,987 | 1,030 | 209 | 21,894 |
| **Net book value** | | | | | |
| **At 31 March 2019** | **32,006** | **12,557** | **1,803** | **19** | **46,385** |
| At 31 March 2018 | 30,234 | 11,569 | 1,752 | 2 | 43,557 |

# Notes to the Financial Statements

## 13. Tangible fixed assets – other (continued)

| Association | Freehold land and buildings £'000 | Furniture fittings and ICT / office equipment £'000 | Other plant and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2018 | 32,521 | 27,426 | 2,448 | 167 | 62,562 |
| Additions | - | 3,583 | 144 | - | 3,727 |
| Disposals | - | - | - | - | - |
| Transfers | 1,522 | (545) | - | - | 977 |
| At 31 March 2019 | 34,043 | 30,464 | 2,592 | 167 | 67,266 |
| **Accumulated depreciation** | | | | | |
| At 1 April 2018 | 2,287 | 15,857 | 696 | 165 | 19,005 |
| Charged in year | 320 | 2,061 | 112 | 2 | 2,495 |
| At 31 March 2019 | 2,607 | 17,918 | 808 | 167 | 21,500 |
| **Net book value** | | | | | |
| **At 31 March 2019** | **31,436** | **12,546** | **1,784** | **-** | **45,766** |
| At 31 March 2018 | 30,234 | 11,569 | 1,752 | 2 | 43,557 |

**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.

No impairment provision was made in 2019 (2018: £0.7 million). The impairment was related to the lifts in the high rise blocks as described in note 12.





# Notes to the Financial Statements

## 14. Investment properties

| | Group 2019 £'000 | Group 2018 £'000 | Association 2019 £'000 | Association 2018 £'000 |
|---|---|---|---|---|
| At 1 April | 3,770 | 2,410 | 3,770 | 2,410 |
| Acquired | 95 | - | - | - |
| Transfer from housing properties | - | 2,183 | - | 2,183 |
| Fair value adjustment | - | (823) | - | (823) |
| At 31 March | 3,865 | 3,770 | 3,770 | 3,770 |

Investment properties held by the Association were valued as at 31 March 2019 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. Intangible fixed assets

| Group | Goodwill £'000 | Property designs £'000 | Software £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2018 | - | - | - | - |
| Acquired | 1,879 | - | 7 | 1,886 |
| Additions | - | 35 | - | 35 |
| Amortised during the year | (60) | - | - | (60) |
| At 31 March 2019 | 1,819 | 35 | 7 | 1,861 |

The goodwill arose on acquisition of Gus Robinson Developments Limited on 4 December 2018 by Thirteen Homes Limited. Goodwill is assessed annually for impairment by comparing the carrying value to the recoverable amount. See note 39 for further details regarding the acquisition.

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

# Notes to the Financial Statements

## 16. Homebuy loans receivable

| Group and Association | 2019 £'000 | 2018 £'000 |
|---|---|---|
| At 1 April | 1,047 | 1,101 |
| Loans repaid | (65) | (54) |
| At 31 March | 982 | 1,047 |

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

## 17. Financial assets

| Group | 2019 £'000 | 2018 £'000 |
|---|---|---|
| At 1 April and 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.



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# Notes to the Financial Statements

## 18. Investments in subsidiaries

| Association | 2019 £'000 | 2018 £'000 |
|---|---|---|
| At 1 April and 31 March | 50 | 50 |

The Association has the following investments in subsidiaries:

| | Country of incorporation | Class of shares held | Ownership 2019 | Ownership 2018 |
|---|---|---|---|---|
| Thirteen Homes Limited | England | Ordinary | 100% | 100% |
| Thirteen Commercial Services Limited | England | Ordinary | 100% | 76% |
| Gus Robinson Developments Limited | England | Ordinary | 100% | 0% |
| Thirteen Property Development Limited | England | Ordinary | 100% | 100% |
| Thirteen Social Enterprise Limited | England | Ordinary | 100% | 100% |

As required by statute, the financial statements consolidate the results of Thirteen Homes Limited, Thirteen Commercial Services Limited, Gus Robinson Developments Limited (from the acquisition date) (see note 40), Thirteen Property Development Limited and Thirteen Social Enterprises Limited. All subsidiaries are directly owned by the Association apart from Gus Robinson Development Limited which is indirectly owned through Thirteen Homes Limited.

The registered address for all entities is Northshore, North Shore Road, Stockton-on-Tees, TS18 2NB apart from Gus Robinson Developments Limited which is registered at Stranton House, West View Road, Hartlepool, Cleveland, TS24 0BW.

The Association has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them. Thirteen Social Enterprises Limited and Thirteen Property Development Limited were dormant throughout the financial year.

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

# Notes to the Financial Statements

## 18. Investments in subsidiaries (continued)

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

| | Service provided | Cost allocation basis | 2019 £'000 | 2018 £'000 |
|---|---|---|---|---|
| Thirteen Commercial Services | Management services | Assessment of usage | 238 | 120 |
| Thirteen Commercial Services | Repair and cleaning services | Actual usage | 28 | 20 |
| Thirteen Homes Limited | Management services | Assessment of usage | 173 | 34 |
| | | | 439 | 174 |

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

| | Service provided | Cost allocation basis | 2019 £'000 | 2018 £'000 |
|---|---|---|---|---|
| Thirteen Housing Group Limited | Management services | Agreed fixed fee | 92 | 68 |
| | | | 92 | 68 |

## 19. Stock

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Properties completed for sale | 1,269 | 1,227 | 1,269 | 1,227 |
| Properties in development for sale | 8,414 | 10,875 | 8,389 | 10,875 |
| Raw materials and consumables | 31 | - | - | - |
| | 9,714 | 12,102 | 9,658 | 12,102 |





# Notes to the Financial Statements

## 20. Debtors

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| **Due within one year** | | | | |
| Rent and service charges receivable | 11,499 | 10,819 | 11,490 | 10,796 |
| Less: provision for bad and doubtful debts | (5,146) | (4,205) | (5,132) | (4,187) |
| Net rental debtors | 6,353 | 6,614 | 6,358 | 6,609 |
| Other tenant debtors | 523 | 463 | 523 | 463 |
| Less: provision for bad and doubtful debts | (459) | (451) | (459) | (451) |
| Sales ledger debtors | 4,737 | 1,323 | 1,598 | 1,307 |
| Less: provision for bad and doubtful debts | (355) | (671) | (355) | (664) |
| Amounts recoverable on long term contracts | 1,065 | - | - | - |
| Capital grants receivable | 133 | 675 | 133 | 675 |
| Revenue grants receivable | - | 15 | - | 15 |
| Development debtors | 23 | 5 | 23 | 5 |
| VAT reclaimable | 395 | 552 | 326 | 551 |
| Loan to Whitby Network | 14 | 13 | 14 | 13 |
| Amounts owed by group undertakings | - | - | 3,479 | 273 |
| Trade and other debtors | 430 | 108 | 94 | 101 |
| Prepayments and accrued income | 7,055 | 5,201 | 6,899 | 5,153 |
| | 19,914 | 13,847 | 18,633 | 14,050 |
| **Due after more than one year** | | | | |
| Private landlord empty homes management | 170 | 215 | 170 | 215 |
| Loan to Whitby Network | 4 | 17 | 4 | 17 |
| Deferred tax asset | 97 | - | - | - |
| | 20,185 | 14,079 | 18,807 | 14,282 |

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.

# Notes to the Financial Statements

## 21. Cash and cash equivalents

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Money market deposits | 585 | 582 | 585 | 582 |
| Deposit accounts | 3,931 | 1,399 | 3,931 | 1,399 |
| Leaseholders' trust account | 252 | 251 | 252 | 251 |
| Cash at bank and in hand | 4,477 | 5,182 | 2,579 | 4,700 |
| | 9,245 | 7,414 | 7,347 | 6,932 |

## 22. Creditors: amounts falling due within one year

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Debt (note 27) | 3,978 | 5,442 | 3,978 | 5,442 |
| Rent and service charges received in advance | 3,954 | 3,456 | 3,944 | 3,449 |
| Social housing grant received in advance | 13,870 | 7,131 | 13,870 | 7,131 |
| Deferred capital grant | 1,239 | 1,216 | 1,239 | 1,216 |
| Development creditors | 1,883 | 2,552 | 1,883 | 2,552 |
| VAT payable | 3 | - | - | - |
| Corporation tax | - | 6 | - | 6 |
| Other taxation and social security | 1,060 | 911 | 988 | 911 |
| Other creditors | 11,792 | 5,454 | 5,096 | 5,454 |
| Amounts owed to group undertakings | - | - | 12 | - |
| Accruals and deferred income | 12,598 | 9,495 | 12,478 | 9,379 |
| | 50,377 | 35,663 | 43,488 | 35,540 |





# Notes to the Financial Statements

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

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Debt (note 27) | 236,663 | 239,968 | 236,663 | 239,968 |
| Borrowing costs unamortised | (501) | (541) | (501) | (541) |
| Deferred capital grant | 113,962 | 112,406 | 113,950 | 112,406 |
| Recycled capital grant fund (note 25) | 1,235 | 1,108 | 1,235 | 1,108 |
| Disposals proceeds fund (note 26) | 848 | 863 | 848 | 863 |
| | 352,207 | 353,804 | 352,195 | 353,804 |

## 24. Deferred capital grant

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| At 1 April | 113,622 | 112,106 | 113,622 | 112,106 |
| Acquired | 12 | - | - | - |
| Grant received in the year | 3,142 | 3,042 | 3,142 | 3,042 |
| Released to income in the year | (1,232) | (1,121) | (1,232) | (1,121) |
| Grant transferred from disposal proceeds fund | 20 | - | 20 | - |
| Released to the RCGF on disposal | (363) | (405) | (363) | (405) |
| At 31 March | 115,201 | 113,622 | 115,189 | 113,622 |

| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
|---|---|---|---|---|
| Amounts to be released within one year | 1,239 | 1,216 | 1,239 | 1,216 |
| Amounts to be released in more than one year | 113,962 | 112,406 | 113,950 | 112,406 |
| | 115,201 | 113,622 | 115,189 | 113,622 |

# Notes to the Financial Statements

## 25. Recycled capital grant fund

| Group and Association<br>Funds pertaining to activities within areas covered by the Regulator of Social Housing (RSH): | | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|---|
| At 1 April | | 1,108 | 703 |
| Inputs to the RCGF: | Grant Recycled | 363 | 244 |
| | Interest accrued | 12 | - |
| | Outright sales | - | 161 |
| Recycling of grant: | New build | (248) | - |
| At 31 March | | 1,235 | 1,108 |

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

## 26. Disposal proceeds fund

| Group and Association<br>Funds pertaining to activities within areas covered by the Regulator of Social Housing (RSH): | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| At 1 April | 863 | 863 |
| Inputs to DPF: Interest accrued | 5 | - |
| Transfer to deferred capital grant | (20) | - |
| At 31 March | 848 | 863 |
| Amounts 3 years old or older | 835 | 677 |

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



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# Notes to the Financial Statements

## 27. Debt analysis

**Group and Association**

| Housing Loans | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| **Debt profile** | | |
| Accrued interest | 1,669 | 1,575 |
| Bank and building society loans at fixed rates of interest | 177,911 | 184,054 |
| Bank and building society loans at variable rates of interest | 61,061 | 59,781 |
| | 240,641 | 245,410 |

**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 1.85% over LIBOR.

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

**Debt is repayable as follows:**

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Within one year or on demand | 3,978 | 5,442 |
| One year or more but less than two years | 2,441 | 2,309 |
| Two years or more but less than five years | 47,292 | 5,481 |
| Five years or more | 186,930 | 232,178 |
| | 240,641 | 245,410 |

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

As at 31 March 2019 the group had undrawn loan facilities of £121.7 million (2018: £120.7 million).

# Notes to the Financial Statements

## 28. Non-equity share capital

**Group and Association**

| Shares of £1 each issued and fully paid | 2019 £'000 | 2018 £'000 |
|---|---|---|
| At 1 April | 11 | 12 |
| Shares surrendered during the financial year | (1) | (3) |
| Shares issued during the financial year | - | 2 |
| At 31 March | 10 | 11 |

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





# Notes to the Financial Statements

## 29. Pension provisions

The group participates in the following pension schemes:

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

**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. In previous years, it was not possible for the association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, the scheme was accounted for as a defined contribution scheme. From this accounting year, it has been possible to obtain information that will allow the Social Housing Pension Scheme to be accounted for as a defined benefit scheme. The provision as at 31 March 2018 was derecognised (£3,757k) and the new opening provision (£9,596k) was recognised through other comprehensive income in accordance with FRED 71.

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

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

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

**Deficit contributions**

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

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

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.

# Notes to the Financial Statements

## 29. Pension provisions (continued)

**SHPS Pension Fund (continued)**

| | 31 March 2019 % per annum | 31 March 2018 % per annum |
|---|---|---|
| Discount rate | 2.39 | 2.60 |
| RPI price inflation | 3.21 | 3.10 |
| CPI price inflation | 2.21 | 2.10 |
| Salary Growth | 3.21 | 3.10 |

Mortality assumptions adopted at 31 March 2019 imply the following life expectancies;

| | Life expectancy at age 65 (Years) |
|---|---|
| Male retiring in 2019 | 21.8 |
| Female retiring in 2019 | 23.5 |
| Male retiring in 2039 | 23.2 |
| Female retiring in 2039 | 24.7 |



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# Notes to the Financial Statements

## 29. Pension provisions (continued)

**SHPS Pension Fund (continued)**

**Group and Association**

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

**Breakdown of amounts recognised in profit and loss**

| | 2019 £'000 |
|---|---|
| Current service cost | 1,901 |
| Past service cost | - |
| Curtailments | - |
| **Amounts charged to operating costs** | 1,901 |

| | 2019 £'000 |
|---|---|
| Net interest cost | 251 |
| **Amounts charged to other finance costs** | 251 |

**Analysis of amounts recognised in other comprehensive income**

| | 2019 £'000 |
|---|---|
| Total actuarial losses | (1,434) |
| Changes in assumptions underlying the present value of scheme liabilities | - |
| | (1,434) |
| **Cumulative actuarial loss** | (1,434) |

**Reconciliation of funded status to balance sheet**

| | 2019 £'000 |
|---|---|
| Present value of scheme liabilities | (41,343) |
| Fair value of assets | 29,899 |
| **Net liability recognised in the balance sheet** | (11,444) |

# Notes to the Financial Statements

## 29. Pension provisions (continued)

**SHPS Pension Fund (continued)**

**Group and Association**

**Changes to the present value of the defined benefit obligation**

| | 2019 £'000 |
|---|---|
| Opening scheme liabilities | (36,892) |
| Current service cost | (1,901) |
| Interest cost | (975) |
| Actuarial losses on scheme liabilities | (2,164) |
| Benefits paid | 1,479 |
| Contributions by participants | (890) |
| **Closing defined benefit obligation** | (41,343) |

**Changes to the fair value of assets**

| | 2019 £'000 |
|---|---|
| Opening fair value of Scheme assets | 27,296 |
| Interest income on assets | 724 |
| Remeasurement gains on assets | 730 |
| Contributions by employer | 1,738 |
| Contributions by participants | 890 |
| Benefits paid | (1,479) |
| **Closing fair value of scheme assets** | 29,899 |





# Notes to the Financial Statements

## 29. Pension provisions (continued)

**SHPS Pension Fund (continued)**

**Group and Association**

As accounted for as a defined contribution scheme until 31 March 2018.

**Present values of provision**

| | 2018 £'000 |
|---|---|
| Present value of provision | 3,757 |

**Reconciliation of opening and closing provisions**

| | 2018 £'000 |
|---|---|
| Provision at start of year | 4,387 |
| Unwinding of the discount factor (interest expense) | 53 |
| Deficit contribution paid | (633) |
| Remeasurements - impact of any change in assumptions | (50) |
| Provision at end of year | 3,757 |

**Income and expenditure impact**

| | 2018 £'000 |
|---|---|
| Interest expense | 53 |
| Remeasurements - impact of any change in assumptions | (50) |
| Contributions paid in respect of future service | 972 |
| Costs recognised in income and expenditure account | 975 |

**Assumptions**

| | 2018 % per annum |
|---|---|
| Rate of discount | 1.72 |

# Notes to the Financial Statements

## 29. Pension provisions

**The Pensions Trust - The Growth Plan**

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

**Present values of provision**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Present value of provision | - | 29 |

**Reconciliation of opening and closing provisions**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Provision at start of year | 29 | 169 |
| Unwinding of the discount factor (interest expense) | - | 1 |
| Deficit contribution paid | (29) | (9) |
| Pension debt realised | - | (132) |
| Provision at end of year | - | 29 |

**Income and expenditure impact**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Interest expense | - | 1 |
| Pension debt realised | - | (132) |
| Costs recognised in income and expenditure account | - | (131) |

**Assumptions**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Rate of discount | 1.33 | 1.71 |





# Notes to the Financial Statements

## 29. 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 2019 were £3.3m (2018: £2.8m) at a contribution rate of 16% (2018: 16%).

| | 31 March 2019 % per annum | 31 March 2018 % per annum |
|---|---|---|
| Discount rate | 2.4 | 2.6 |
| RPI price inflation | 3.3 | 3.2 |
| CPI price inflation | 2.2 | 2.1 |
| Pension increases | 2.2 | 2.1 |
| Pension accounts revaluation rate | 2.2 | 2.1 |
| Salary increases | 3.2 | 3.1 |

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 2019 No. of years | 31 March 2018 No. of years |
|---|---|---|---|
| Aged 65 at accounting date | Males | 22.2 | 22.9 |
| | Females | 24.1 | 25.0 |
| Aged 45 at accounting date | Males | 23.9 | 25.1 |
| | Females | 25.9 | 27.3 |

# Notes to the Financial Statements

## 29. Pension provisions

**Teesside Pension Fund (continued)**

**Breakdown of amounts recognised in profit and loss**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Current service cost | 4,682 | 4,765 |
| Past service cost | 5,291 | 396 |
| Curtailments | - | - |
| **Amounts charged to operating costs** | 9,973 | 5,161 |

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Net interest cost | 1,153 | 988 |
| Amounts charged to other finance costs | 1,153 | 988 |

**Analysis of amounts recognised in other comprehensive income**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Total actuarial gains/(losses) | 4,688 | (3,292) |
| Changes in assumptions underlying the present value of scheme liabilities | - | - |
| | 4,688 | (3,292) |
| **Cumulative actuarial loss** | (28,484) | (33,172) |

**Reconciliation of funded status to balance sheet**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Present value of scheme liabilities | (226,705) | (210,583) |
| Fair value of assets | 177,590 | 164,632 |
| **Net liability recognised in the balance sheet** | (49,115) | (45,951) |





# Notes to the Financial Statements

## 29. Pension provisions

**Teesside Pension Fund (continued)**

**Changes to the present value of the defined benefit obligation**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Opening scheme liabilities | (210,583) | (200,395) |
| Current service cost | (4,682) | (4,765) |
| Interest cost | (5,428) | (5,145) |
| Actuarial losses on scheme liabilities | (4,452) | (5,003) |
| Benefits paid | 4,771 | 6,195 |
| Contributions by participants | (1,040) | (1,074) |
| Past service cost | (5,291) | (396) |
| Curtailments | - | - |
| **Closing defined benefit obligation** | (226,705) | (210,583) |

**Changes to the fair value of assets**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Opening fair value of Scheme assets | 164,632 | 160,943 |
| Interest income on assets | 4,275 | 4,157 |
| Remeasurement gains on assets | 9,140 | 1,711 |
| Contributions by employer | 3,274 | 2,942 |
| Contributions by participants | 1,040 | 1,074 |
| Benefits paid | (4,771) | (6,195) |
| **Closing fair value of scheme assets** | 177,590 | 164,632 |

**Aegon**

The Aegon pension scheme is a defined contribution scheme participated in by 2 group companies, the association and Gus Robinson Developments. The cost of the scheme is equal to the employer contributions payable in the year. During the year contributions of £100k (2018: £95k) were made to the scheme.

# Notes to the Financial Statements

## 29. Pension provisions (continued)

**Gus Robinson Developments Limited Pension and Assurance Scheme**

**Group only**

**Breakdown of amounts recognised in profit and loss**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Current service cost | - | - |
| Past service cost | 35 | - |
| Curtailments | - | - |
| **Amounts charged to operating costs** | | |

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Net interest income | (2) | - |
| **Amounts credited to other finance costs** | (2) | - |

**Analysis of amounts recognised in other comprehensive income**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Total actuarial losses | (392) | - |
| Changes in assumptions underlying the present value of scheme liabilities | - | - |
| | (392) | - |

**Reconciliation of funded status to balance sheet**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Present value of scheme liabilities | (3,500) | - |
| Fair value of assets | 3,166 | - |
| **Net liability recognised in the balance sheet** | (334) | - |



Annual Report and Financial Statements 2018/19



# Notes to the Financial Statements



## 29. Pension provisions (continued)

**Gus Robinson Developments Limited Pension and Assurance Scheme (continued)**

**Group only**

**Changes to the present value of the defined benefit obligation**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Scheme liabilities acquired | (3,127) | - |
| Current service cost | 0 | - |
| Interest cost | (147) | - |
| Actuarial (losses)/gains on scheme liabilities | (358) | - |
| Benefits paid | 140 | - |
| Contributions by participants | 0 | - |
| Past service cost | (35) | - |
| Derecognition of asset | 27 | - |
| **Closing defined benefit obligation** | (3,500) | - |

**Changes to the fair value of assets**

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Fair value of scheme assets acquired | 3,127 | - |
| Interest income on assets | 149 | - |
| Remeasurement gains on assets | (34) | - |
| Contributions by employer | 64 | - |
| Benefits paid | (140) | - |
| **Closing fair value of scheme assets** | 3,166 | - |

# Notes to the Financial Statements

## 30. Capital commitments

**Group and Association**

Capital expenditure commitments were as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Expenditure contracted for, but not provided for in the financial statements | 46,978 | 57,356 |
| Expenditure authorised by the Board, but not contracted | 55,023 | 46,579 |
| | 102,001 | 103,935 |

Expenditure authorised by the Board but not contracted includes capital major repairs works of £34.6m.

The capital commitments for the development of new property assets will be financed from the Association's through borrowing from approved loan facilities (£121.7m) and social housing grants (£18.5m). The balance of funding is determined as the new development schemes occur and commitments are realised.

## 31. Contingent liabilities

**The Pensions Trust**

**Group and Association**

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

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

**ARCC Consortium**

**Group and Association**

In February 2015, the group established the Achieving Real Change in the Community (ARCC) consortium with five partners, including three local authorities, to deliver the probation service in the Durham Tees Valley area. Should the consortium fail, the group is liable for up to £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.





# Notes to the Financial Statements

## 32. Net cash generated from operating activities

| Group | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Surplus for the year** | 23,120 | 27,659 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 22,689 | 20,895 |
| Impairment of tangible fixed assets | 424 | 5,095 |
| Amortisation of social housing grant | 1,232 | 1,103 |
| (Surplus)/deficit on sale of housing properties | (1,238) | (1,159) |
| Pension costs less contributions payable | 7,439 | 2,219 |
| Pension finance costs | 1,402 | 1,041 |
| Pension deficit payments | (633) | (773) |
| Accelerated depreciation on disposal | (7,867) | (402) |
| Carrying amount of tangible fixed asset disposals | 14,185 | 5,001 |
| Decrease/(increase) in stock | 6,589 | (4,544) |
| Decrease in debtors | (881) | 3,298 |
| Decrease in creditors | (1,309) | (4,174) |
| **Adjustments for investing or financing activities:** | | |
| Proceeds from sale of tangible fixed assets | (18,180) | (6,952) |
| Interest payable | 10,352 | 12,242 |
| Interest receivable | (79) | (34) |
| Taxation | (29) | (1) |
| Tax paid | 45 | - |
| **Net cash generated from operating activities** | 57,261 | 60,514 |

# Notes to the Financial Statements

## 33. Operating leases

### Group and Association

*Operating leases where the Group and Association is the lessee*

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

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Land and buildings - housing properties** | | |
| Payments due: | | |
| Not later than one year | 163 | 242 |
| Later than one year and not later than five years | 416 | 724 |
| Later than five years | 23 | 519 |
| | 602 | 1,485 |
| **Land and buildings - other** | | |
| Payments due: | | |
| Not later than one year | 135 | 99 |
| Later than one year and not later than five years | 845 | 376 |
| Later than five years | 4 | 40 |
| | 984 | 515 |
| **Office and other equipment** | | |
| Payments due: | | |
| Not later than one year | 150 | 141 |
| Later than one year and not later than five years | 160 | 142 |
| Later than five years | - | - |
| | 310 | 283 |
| **Motor vehicles** | | |
| Payments due: | | |
| Not later than one year | 1,484 | 1,462 |
| Later than one year and not later than five years | 5,413 | 5,006 |
| Later than five years | - | - |
| | 6,897 | 6,468 |





# Notes to the Financial Statements

## 33. 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 May 2026

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 November 2023.

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

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

# Notes to the Financial Statements

## 33. Operating leases (continued)

*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:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Land and buildings - housing properties** | | |
| Payments due: | | |
| Not later than one year | 120 | 118 |
| Later than one year and not later than five years | 388 | 429 |
| Later than five years | 576 | 655 |
| | 1,084 | 1,202 |

The group also has in place a number of 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 35 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:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Land and buildings - other | | |
| Payments due: | | |
| Not later than one year | 142 | 184 |
| Later than one year and not later than five years | 231 | 350 |
| Later than five years | 83 | 40 |
| | 456 | 574 |

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





# Notes to the Financial Statements

## 34. Related party transactions

**Group**

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 £178,774 (2018: £213,040), the Teesside Pension Fund is £287,638 (2018: £304,344) and Aegon is £6,249 (2018 £8,045).

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.

## 35. 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 2019 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.

At the point of entering the agreement, the estimated value of the improvements for Housing Hartlepool was £86m. At 31 March 2019 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 2019 the value of invoiced work on which VAT had been reclaimed was £103m (2018: £101m).

# Notes to the Financial Statements

## 36. 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 2019, the association had made a further payment of £0.2m (2018: £nil) in relation to the investment fund. To 31 March 2019, the Group have invested £0.7m in total.

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

During the year ended 31 March 2019, the association had made a further payment of £0.2m (2018: £nil) in relation to the investment fund. To 31 March 2019, the Group have invested £2.6m in total.

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.

## 37. Financial assets and liabilities

| | Group | | Association | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| **Categories of financial assets and liabilities** | | | | |
| Financial assets that are debt instruments measured at amortised cost | 29,430 | 21,493 | 26,154 | 21,214 |
| Financial assets that are equity instruments measured at cost less impairment | 1 | 1 | - | - |
| Financial liabilities measured at amortised cost | (287,040) | (275,631) | (280,151) | (275,508) |
| | (257,609) | (254,137) | (253,997) | (254,294) |

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.





Notes to the Financial Statements

## 38. Ultimate parent undertakings and controlling party

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

Thirteen Housing Group Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2019. 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.

# Notes to the Financial Statements

## 39. Acquisition of Gus Robinson Developments Limited

On 4 December 2018, Thirteen Homes Limited acquired 100% of the share capital of Gus Robinson Developments Limited for total consideration of £2,729k. Gus Robinson Developments Limited's principal activity is delivering construction contracts for Housing Associations and other public entities. The acquisition is part of the Group's long term plans to deliver its development plan. The goodwill of £1,845k arising from the acquisition is attributable to the acquired subcontractor relationships and management expertise.

The estimated useful life of the goodwill is 10 years.

The following table summarises the consideration paid by the Group and the fair value of the assets acquired and liabilities assumed.

| | £'000 |
|---|---|
| Cash | 2,710 |
| Contingent consideration | 19 |
| Total consideration | 2,729 |

For cash flow disclosure purposes, the amounts are disclosed as follows:

| | £'000 |
|---|---|
| Cash | 2,710 |
| Contingent consideration | (1,592) |
| Total consideration | 1,118 |

Recognised amounts identifiable assets acquired and liabilities assumed:

| | £'000 |
|---|---|
| Tangible fixed assets | 637 |
| Investment properties | 95 |
| Stock | 30 |
| Trade and other debtors | 5,155 |
| Cash and cash equivalents | 1,592 |
| Trade and other creditors | (6,650) |
| Provisions | (9) |
| Total identifiable net assets | 850 |
| Goodwill | 1,879 |
| Total | 2,729 |

The contingent consideration is payable between 1 October 2019 and 17 February 2020. The contingent consideration is payable based on the revenue generated between 1 October 2018 and 30 September 2019. The amount provided of £19k is based on the current best estimate of the amount payable. The amount is capped at £201k.

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





# Other Company Information

## Registered Numbers

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

Registered by the Regulator of Social Housing, number L4522

**Board**

| | |
|---|---|
| Chair | George Garlick |
| Senior Independent Director | Clare Brayson |
| Other Members | Ian Wardle |
| | Richard Buckley |
| | Annette Clark |
| | Julie Clarke (resigned 3 September 2018) |
| | Brian Dinsdale |
| | Andrew Lean |
| | Steve Nelson |
| | Chris Newton |
| | Mark Simpson |
| | Christine Storrs (appointed 6 February 2019) |

**Executive Directors**

| | |
|---|---|
| Group Chief Executive | Ian Wardle |
| 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 |
| Managing Director of Thirteen Homes | Craig Taylor |

**Registered Office**

Northshore
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**Bankers**

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