thirteen

Managing and building homes

Thirteen Group Annual Report 2016/17

Contents

Section 1

Board Members, Executive Directors, Advisors and Bankers

Board Members, Executive Directors, Advisors and Bankers

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

Registered Office

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

Board

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

Other Members

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

Executive Directors

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

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

Solicitors
Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham
BS3 2ES

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

Chairman's Introduction

The last year continued to be one of change and challenge for the housing sector and there is no indication that the coming year will be any different. The impacts of the election result and the vote to leave the EU are yet to become clear, while welfare reform continues to have an adverse impact on our customers and income. Alongside this, the outcomes of the investigation into the catastrophic Grenfell Tower fire in London will have a significant impact on Thirteen and other housing providers, with regard to fire safety, health and safety and building regulations.

We are, however, in a robust position. We put in place a clear strategic plan to manage our business and deliver four key priorities to make a difference to our tenants, customers and neighbourhoods. We have consolidated the group into one landlord as Thirteen to make us easier to do business with. We are also reshaping the organisation to ensure it remains fit for the future and resilient enough to not only face these testing times but also to take advantage of future opportunities. We have made strong and significant progress in delivering our efficiency targets.

The financial results this year, once again, reflect the group's financial stability in these challenging times, reporting a surplus for the year of £37.5million (2016: £18.6million) and retaining fixed assets values at £1,003million (2016: £983million). Cost savings and additional income have resulted in a notable increase in Thirteen's operating margin from 19% in 2016 to 30% in 2017. The reserves level of £578millon (2016: £537million) ensure that we will be able to continue to deliver excellent customer services whilst also maintaining our loan portfolio and funding the strategic priorities going forward, they also ensure that we are able to deal with the reduction in our rental income over the next three years. We said last year that we would deliver efficiency savings of £10.7million. Following a comprehensive review of our financial position, business plan commitments and services actual savings achieved against budget for 2016/17 equated to £18.8million (£12.4million of recurring savings and £6.4million one-off savings). This equates to 11.39% of Thirteen's turnover.

Our financial performance compares well nationally though we are aware that in some cases operational performance is median or lower quartile. Performance improvements in 2016/17 included reduced tenancy turnover, increased satisfaction with quality of home, reduced relet times for standard properties, reduced average call waiting times and improved complaints management with a centralised approach reducing the average response time. Where we are not performing as well we have put in place robust improvement plans.

All of us at Thirteen are working to ensure that the business continues to adapt and grow to provide a range of high quality homes for both rent and sale. We will grow our commercial activities to boost surpluses, which will be invested in the neighbourhoods we work in and used to improve employment opportunities for customers. By doing this we will make a major contribution to the regeneration of Tees Valley.

George Garlick
Chair of Thirteen Housing Group Limited

"Our five year strategic plan has been prepared to address housing needs and remain customer focused, at the same time ensuring we remain financially viable."

Section 2

Strategic Report

Strategic Report

About Thirteen

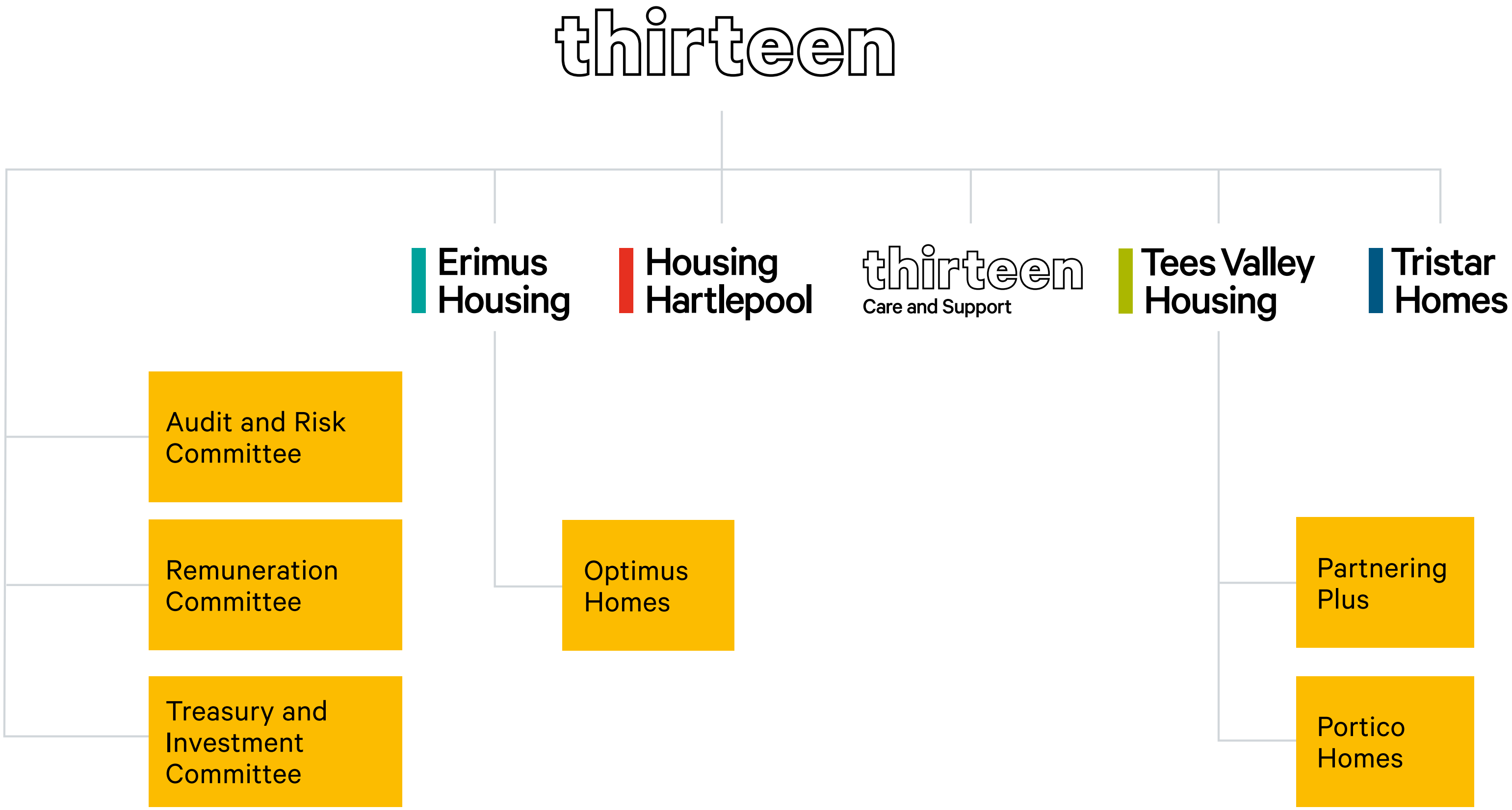
One of the North East's leading providers of housing, care and support, Thirteen Housing Group Limited ('Thirteen') employs around 1,500 people and manages just under 34,000 homes in an area spanning from North Tyneside to York.

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

On 31 March 2017, Thirteen Housing Group Limited ('Thirteen') converted from a company limited by guarantee to a community benefit society registered with the Financial Conduct Authority. Thirteen is a registered provider of social housing with the Homes and Communities Agency (HCA).

Thirteen's governance structure

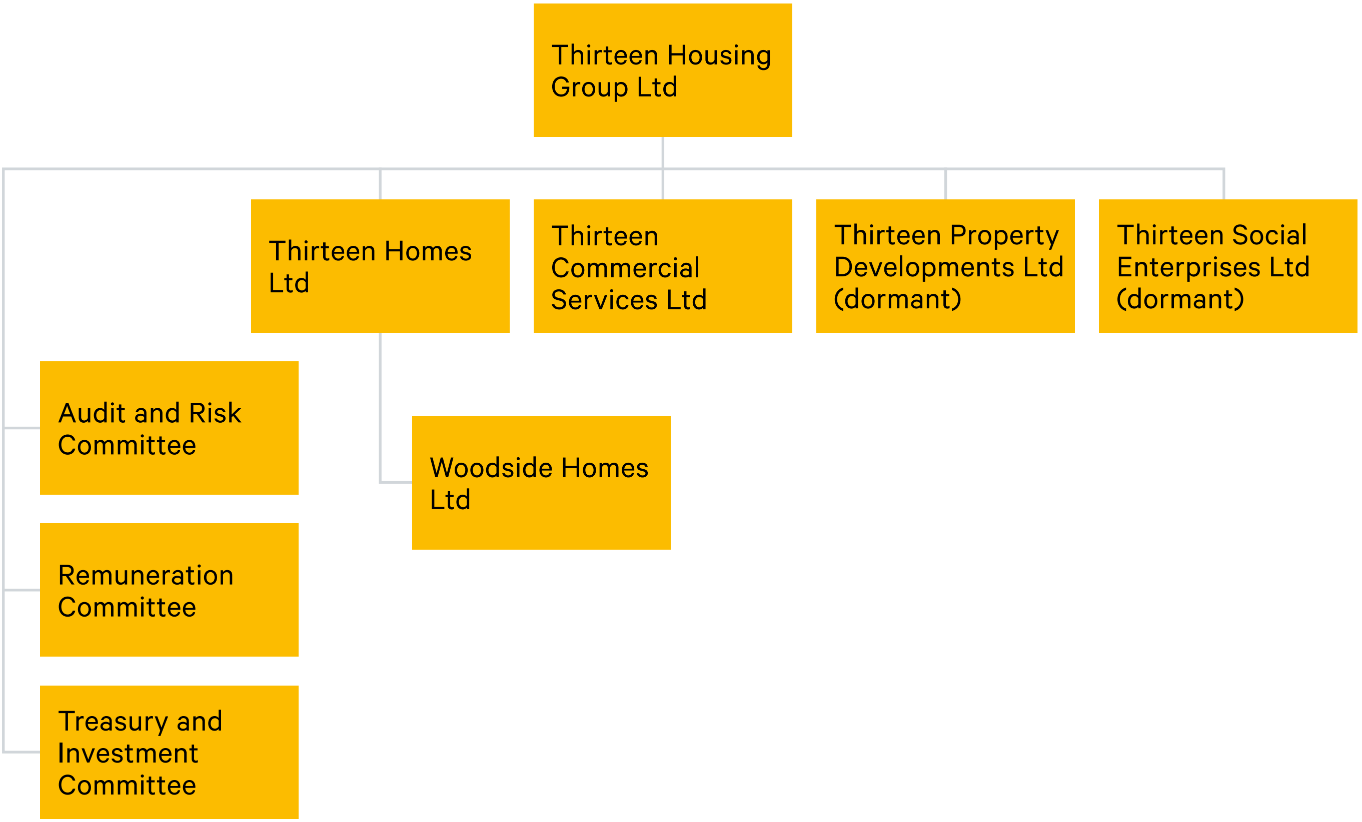
The governance structure of the Thirteen Group during the financial year is illustrated below:



Thirteen's governance structure

As reported in 2016, we have reviewed the group's governance structure to ensure we are structured and resourced as efficiently as possible. Having five separate landlord companies within the group increases bureaucracy and duplication which is not considered an effective use of money and resources.

On 30 June 2017, the partner companies transferred their engagements to Thirteen Housing Group Limited to effect the consolidation of the group into one landlord. The new governance structure of the group is shown below.



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

Savings will be realised by reducing the number of boards and board directors across the group. However, the greatest benefit of revising the structure is the ability to release financial capacity across the group.

During the financial year, the following partner companies were part of Thirteen.

Erimus Housing

Erimus Housing Limited was a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014 and a registered provider of social housing with the Homes and Communities Agency (HCA). Erimus Housing converted from a company limited by guarantee to a community benefit society on 22 May 2017. As an exempt charity, this conversion also involved deregistration as a charity with the Charities Commission.

During the financial year Erimus had a subsidiary, Thirteen Property Development Limited (formerly Optimus Homes Limited), which is registered at Companies House. On 30 June 2017 Thirteen Property Development Limited became a dormant subsidiary of Thirteen.

Erimus was Thirteen's lead partner in the Middlesbrough area and owned and managed around 11,400 homes plus a range of commercial properties across the town. Erimus also worked closely in partnership with Middlesbrough Council, neighbouring local authorities and partner organisations to deliver innovative projects that make a positive impact on people, communities and the wider area.

Housing Hartlepool

Housing Hartlepool Limited was a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014 and a registered provider of social housing with the HCA. Housing Hartlepool converted from a company limited by guarantee to a community benefit society on 22 May 2017. As an exempt charity, this conversion also involved deregistration as a charity with the Charities Commission.

Thirteen's lead partner in the Hartlepool area, Housing Hartlepool managed around 7,700 homes in Hartlepool and the surrounding villages and also owns a number of shops. It developed new homes in the wider Tees Valley area as well as in Durham and Gateshead. The majority of homes are for rent, but also include shared ownership, right-to-buy, outright sale and extra care schemes. In partnership with the local authority it had a successful empty homes programme that brought long-term vacant private properties back into use as affordable housing.

Tees Valley Housing

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

During the financial year Tees Valley had two subsidiaries, Thirteen Homes Limited (formerly Portico Homes Limited) and Thirteen Commercial Services Limited (formerly Partnering Plus Limited), both of which are private limited companies registered at Companies House. On 30 June 2017 they became subsidiaries of Thirteen to be used as the vehicles for a Joint Venture Hub (Thirteen Homes Limited) and Commercial Company (Thirteen Commercial Services Limited) respectively.

Tristar Homes

Tristar Homes Limited was a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014 and a registered provider of social housing with the HCA. Tristar Homes converted from a company limited by guarantee to a community benefit society on 22 May 2017. As an exempt charity, this conversion also involved deregistration as a charity with the Charities Commission.

Tristar Homes, which owned around 10,400 homes in the Stockton Borough, was Thirteen's lead partner in the Stockton area and took ownership of the council's housing stock in 2010 following a vote of support from council tenants. This enabled the investment of more than £100million in homes and neighbourhoods to support safe and sustainable communities, investing in homes for future generations, providing new and enhanced high quality services and making a real difference in the quality of life for customers and their families. Tristar Homes also owned some shops, and was building new homes for sale and rent, helping people onto the property ladder and supporting the local economy.

thirteen Care and Support

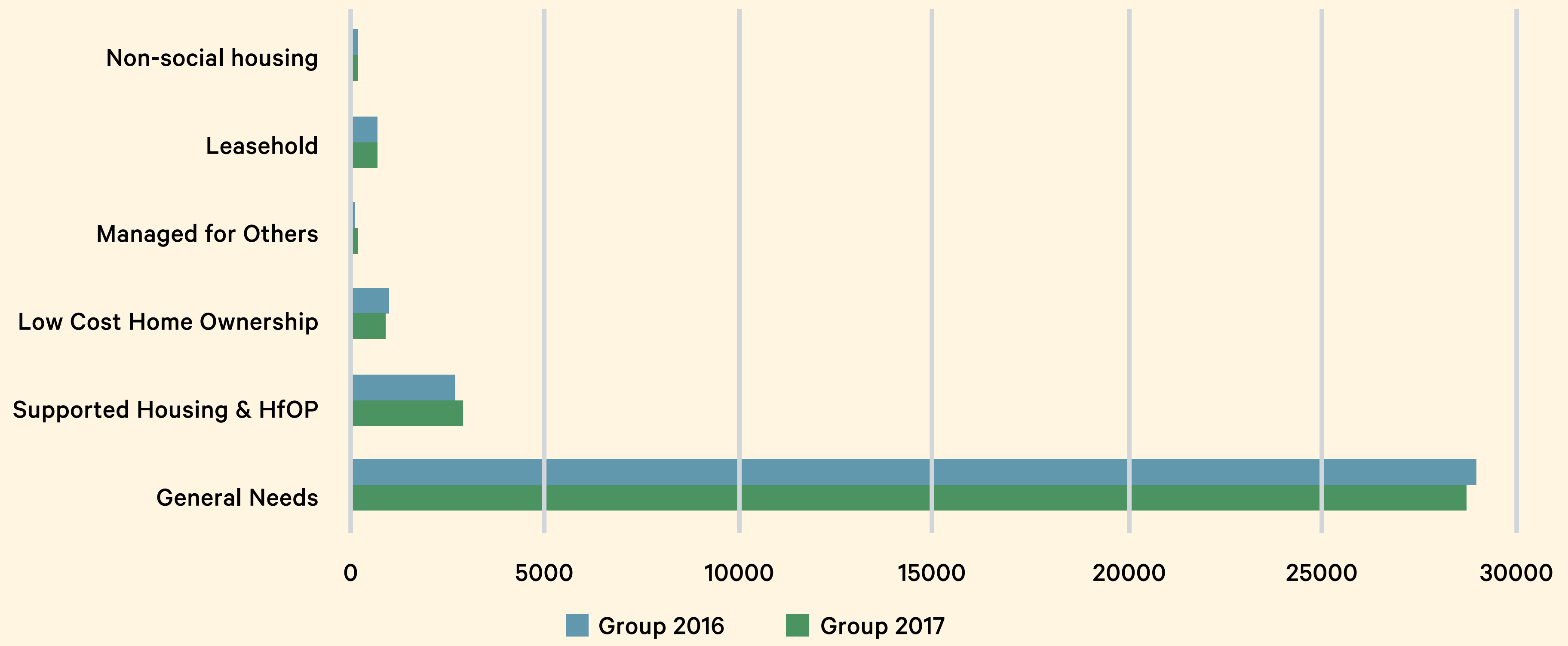
Thirteen Care and Support Limited was also a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014. As an exempt charity, this conversion also involved deregistration as a charity with the Charities Commission.

Thirteen Care and Support was Thirteen's care and support partner and supported vulnerable groups including young parents, ex-offenders, veterans, people with drug or alcohol issues and troubled families. Personalised packages of support are developed for every client to ensure they get the specific help they need. The experience, expertise and commitment of staff enables the provision of services which assist clients with complex care and support needs to face a range of challenges, helping them to think differently and seek out opportunities to improve their lives.

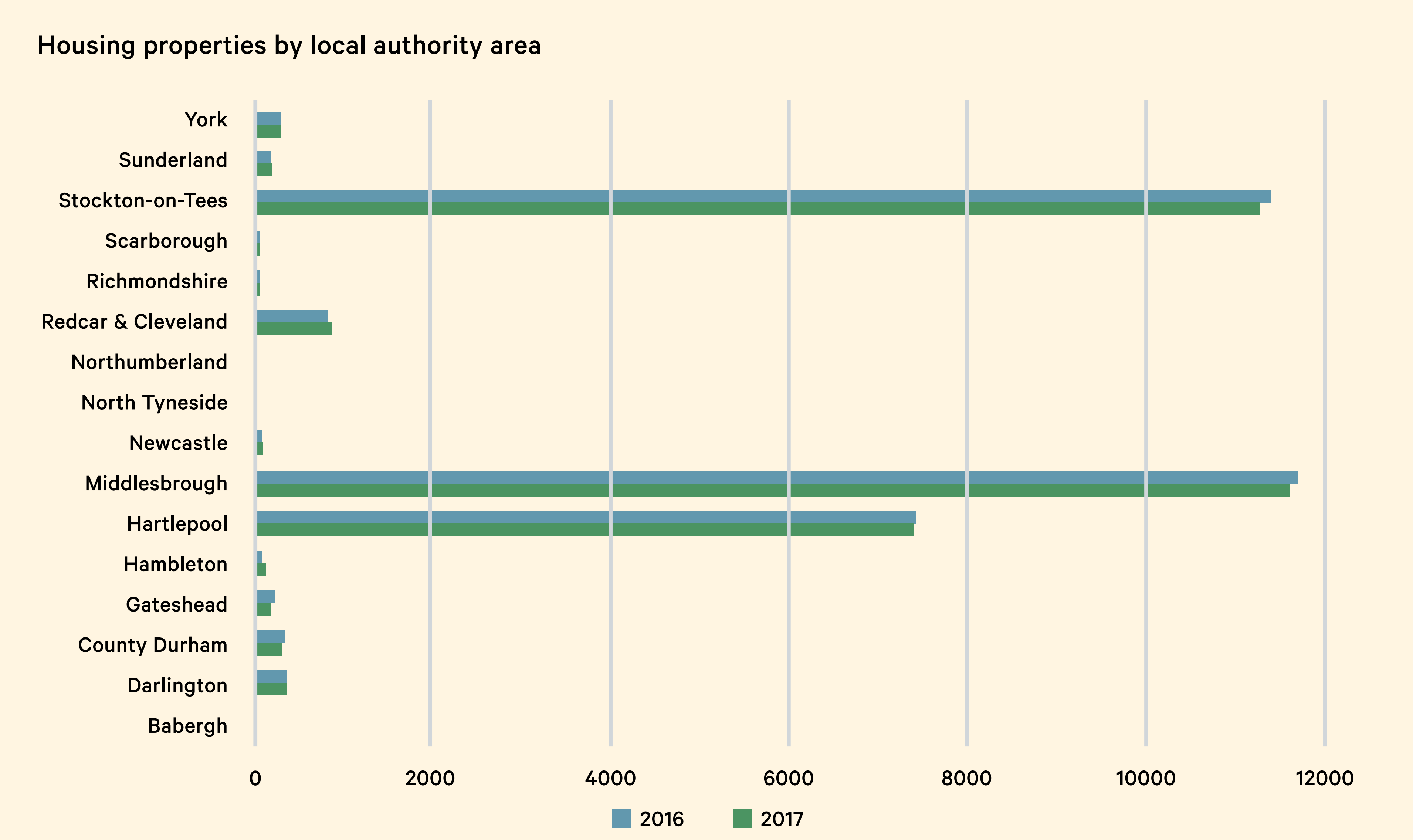
Geographical focus

Thirteen operates in the North East/North Yorkshire region of England with the majority of its stock being within the Tees Valley. The profile of stock owned and managed at 31 March 2017 by type and local authority was as follows:

Housing properties by category



Geographical focus



Thirteen's philosophy to build a stronger business

Our Thirteen philosophy captures our strategy to build a stronger business with five component parts:

Our mission
We provide homes, support and opportunities to grow.

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

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

Our geographical focus
Our new affordable housing development work will focus on the Tees Valley. We will consider developments and services outside the Tees Valley if it covers costs and generates profit. On the whole, we will not seek to be the landlord of properties beyond our core operating area of the Tees Valley.

Our values
We are:
- **Considerate:** in our behaviour;
- **Smart:** in the way we do things; and
- **Progressive:** we move things on.

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

Operating environment risks

The housing sector is going through a period of significant challenge, and there is no evidence that this will change in the near future.

The impacts of the election result and the vote to leave the EU are yet to become clear, while welfare reform continues to have an adverse impact on our customers and our income. Alongside this, the outcomes of the investigation into the catastrophic Grenfell Tower fire in London will have a significant impact on Thirteen and other housing providers, with regard to fire safety and other health and safety matters.

The HCA's July 2017 revision of the 'Regulating the Standards' guidance focuses on boards ensuring housing associations are managed effectively; tenants shaping and scrutinising service delivery and holding boards to account; and reinforcing health and safety following the Grenfell Tower disaster. The latest sector risk profile highlights particularly the risks associated with health and safety, stress testing and the need for appropriate governance structures that are aligned with diversification and de-regulation requirements.

Our trade body, the National Federation of Housing commented after the election that:

- There is a real urgency and ambition needed from Westminster and Whitehall to ensure land is available for building homes;
- We must move away from small-scale annual investment in individual projects to strategic programmes that run for up to five years;
- There needs to be an understanding that regeneration is not something that can be done in a year, or even a parliament, but requires sustained strategic thinking and investment;
- We must address the skills' shortage and be more prepared to invest in high-quality homes manufactured in factories;
- There are some key issues that must be addressed about the impact of decisions made by previous governments on welfare - the local housing allowance cap now operates at about 20% of private rents, not the 30% proposed.
- The new settlement for under-35s is draconian and will not work; and
- The welfare rules for under-35s will increase homelessness.

Savills' Housing Sector Survey 2017 identified a consensus that providing certainty of income from social rents in the period after 2020 would significantly help the sector to formulate strategies to expand development programmes. Mergers also remain a key consideration, with 25% of the housing associations surveyed saying they are considering or planning to merge in the next year, and this figure rising to 60% in the next five years.

We are confident that Thirteen is in a robust position to deal with the challenges facing the sector. We have consolidated the group into one landlord and we are reshaping the organisation to ensure it remains fit for the future and resilient enough to not only face these testing times but also take advantage of future opportunities.

Our five year strategic plan has been prepared to address housing needs and remain customer focused, at the same time ensuring we remain financially viable. Thirteen has been working to improve the lives of our communities for years and we have a wealth of experience and strong partnerships with community groups and third sector organisations, as well as the public and private sectors.

Management of strategic risks

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

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

Risk category 1: External/regulatory environment risks

Risk 1 - Failure to effectively manage the challenges associated with a volatile/changing political, economic and regulatory environment at a national and local level.

The impact of Brexit - the economy, funding, borrowing, property market and regeneration.
Continuing welfare reform and rent policy.
Understanding local economy, housing market and demand in Tees Valley and wider area and the changing customer base.
Relationships with local authorities and the Combined Authority.
Health and housing.
Understanding the competition from the private sector, market rents, impact on the ability to deliver services for customers.
Health and safety.

Risk 2 - Failure to comply with regulatory and statutory requirements

Relationship with the regulator, compliance with regulatory standards.
Customer health and wellbeing.
Serious detriment including gas safety, health and safety and information governance including data protection, cyber security, online protection, service delivery.

Risk category 2: Transforming Thirteen

Risk 3 - Failure to sustain and transform the business and its infrastructure and support and develop its people

Clarity on strategic direction and ambition, vision etc;
Delivery of strategic objectives; group consolidation, new structure.
Appropriate and adequate ICT framework and services; capacity for change.
Getting the basics right; culture; relevant skills at board and committee level, people development; recruiting and retaining the right staff; living the values; succession and talent management; project management; improved tenant satisfaction.

Risk 4 - Inability to achieve performance targets and develop a commercial approach whilst maintaining a clear social purpose

Measuring what matters.
Delivering VFM, understanding, managing and evaluating our return on investment from a financial and social perspective; understanding and managing operational costs and how decisions affect them.

Risk category 3: Effective management and delivery of services

Risk 5 - Risks associated with development

Getting it right – appraisal process and business intelligence on viability and potential customers; build targets not being met; inability to sell properties; developing new homes in line with RTB demand, developing houses for sale, market demand and competition; health and housing.

Risk 6 - Failure to maintain and manage asset base

Including repairs and maintenance; empty homes management; strategic impairment; sustainability; investment; customer satisfaction; customers' ability to obtain and sustain tenancies; asset and liabilities register.

Risk 7 - Failure to remain financially viable

Achieve appropriate funding and/or refinancing, funding vehicle, loan covenants, bond market, loss of rental income; bad debt; empty homes management.

Assurance Mapping

An assurance map has been developed to incorporate our three lines of defence, golden rules and risk KPIs, to enable the Board to see at a glance whether controls in place or planned are effective and appropriate, and enable any gaps to be identified. Where gaps are identified, any additional controls or actions required are captured in, and monitored via, mitigating action plans. These plans also include any actions identified following stress testing of the financial plan. Executive Directors and Heads of Service own and monitor the strategic risk controls and associated action plans. Strategic risks are supported by operational risk registers which are owned, updated and monitored by heads of service in each directorate and reported to the Audit and Risk Committee on an annual basis.

Financial review

Consolidated financial results: three year summary

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

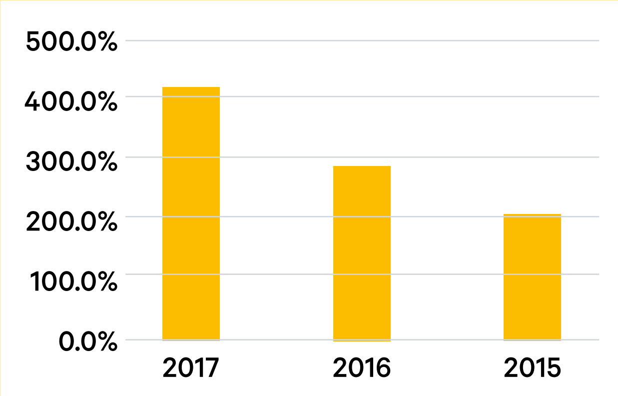
Statement of Financial Position (£'000)	2017	2016	2015 restated*
Housing properties	951,679	931,548	920,050
Other fixed assets	51,221	51,251	46,794
Total fixed assets	**1,002,900**	**982,799**	**966,844**
Net current assets	17,172	37,244	25,389
Total assets less current liabilities	**1,020,072**	**1,020,043**	**992,233**
Creditors: amounts falling due after more than one year	(287,383)	(330,197)	(328,563)
Deferred capital grants	(110,834)	(107,347)	(101,990)
Pensions liability	(44,008)	(45,276)	(45,266)
Total net assets	**577,847**	**537,223**	**516,414**
Minority interest	12	12	12
Revaluation reserve	294,489	299,367	304,978
Restricted reserve	441	350	292
Revenue reserve	282,905	237,494	211,132
Capital and reserves	**577,847**	**537,223**	**516,414**

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

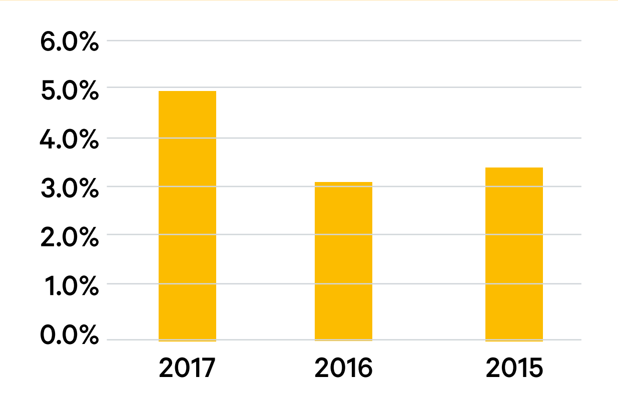
*2015 results have been restated under FRS 102.

Financial highlights - three year extract from the sector scorecard

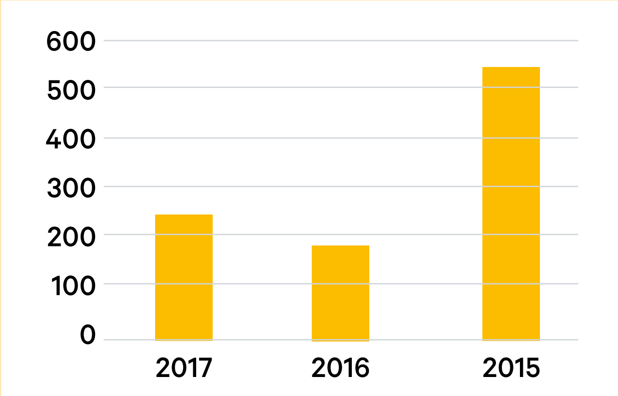
EBITDA MRI (as % of interest)



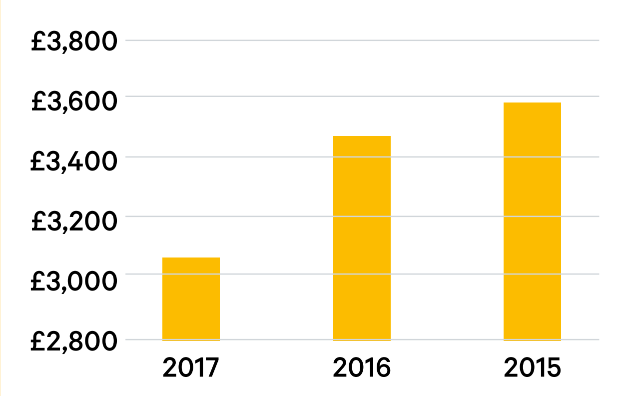
Return on capital employed (ROCE)



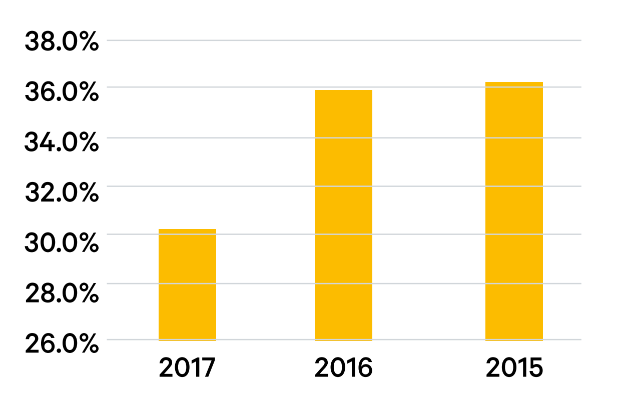
Units Developed



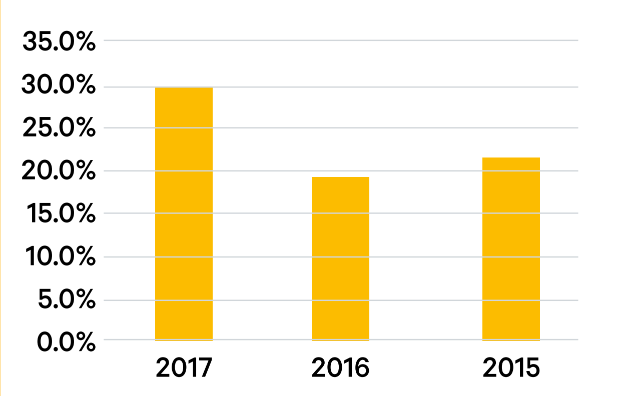
Headline social housing cost per unit



Gearing



Operating Margin



Financial position

The group's consolidated statement of comprehensive income for the year ended 31 March 2017 is shown on page 52 of the financial statements, and its consolidated statement of financial position as at 31 March 2017 is shown on page 56.

The group delivered a strong result, generating a surplus of £37.5million (2016: £18.6million) whilst operating in an increasingly challenging environment from both an economic and regulatory perspective. As a response to the requirement to reduce rents by 1% per year for five years, the group set itself challenging efficiency targets in 2017 which has contributed to the increased surplus for the year.

In order to ensure that it can achieve its investment and regulatory objectives, the group has continued to develop its excellent working relationships with the Homes and Communities Agency (HCA) and the Regulatory Committee. In February 2017 the HCA confirmed that Thirteen meets the requirements set out in the Governance and Financial Viability Standard issuing a G1 grade for governance along with a V1 grade for financial viability. Thirteen, therefore, meets the HCA governance and viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.

Accounting policies

The group's principal accounting policies are set out in note 2 to the financial statements on pages 58 to 63. The policies that are most critical to the understanding of the financial results relate to the accounting treatment of housing properties, government grants, the capitalisation of costs, housing property depreciation and the treatment of shared ownership properties.

Significant judgements and estimation uncertainties

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

Pension costs

The group participated in four pension schemes: the Social Housing Pension Scheme (SHPS), the Teesside Pension Fund, the Pensions Trust Growth Plan and a defined contribution scheme with Aegon offered to Thirteen Care and Support's employees. Of these, the SHPS and the Teesside Pension Fund are defined benefit schemes offering comparable benefits to staff. Participation in the Pensions Trust Growth Plan is through additional voluntary contributions (AVCs) only. The group contributed to each scheme in accordance with the levels set by the scheme actuaries. The group's contribution rate varied between 4% and 17.9%.

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

Housing properties

At 31 March 2017, the group owned 32,563 and managed a further 879 housing properties (2016: owned 32,688 and managed 846).

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

Tees Valley Housing was the developer of the majority of its housing properties and retained detailed historic cost records. On 1 April 2014, it opted to revert to historic cost under FRS 102 as this was judged to be the most appropriate measure of the cost of its properties.

Additions to housing properties since 1 April 2014, are stated at cost. As at 31 March 2017, the carrying value of housing properties is £951.7million (2016: £931.5million).

Housing properties are valued for loan security purposes (excluding properties under construction), and the estimated value of secured and unsecured properties is £1,009.5million (2016: £941.8million).

Having considered a review of the group's estate no impairment adjustment was made during the financial year (2016: £nil).

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

Financial position

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

An impairment adjustment of £0.3million has been made during the financial year (2016: £0.7million) relating to a number of garages earmarked for demolition.

Cash flows
Cash inflows and outflows during the financial year are shown in the consolidated statement of cash flows on page 57 of the financial statements.

The group generated a cash inflow from operating activities of £72.7million (2016: inflow £43.8million). The cash inflow in the financial year was funded mainly by operating activities, social housing grant of £5.2million (2016: £6million) and property sales of £5.3million (2016: £4.4million). After repayment of borrowings of £45.7million (2016: £3.5million) there was a net decrease in cash of £19.7million (2016: increase of £2.7million).

Payment of creditors
Thirteen processes and pays supplier invoices on behalf of the group. Thirteen's policy is to pay purchase invoices within 30 days of the invoice date, or earlier if agreed with the supplier. During the financial year the average time taken to pay suppliers was 38 days from the date of the invoice (2016: 40 days). Although performance has improved during the year, it is still below target and we continue to work with suppliers to get invoices received and processed more rapidly.

Reserves
After the transfer of the surplus for the financial year of £37.5million (2016: £18.6million) at the financial year end, the group's reserves amounted to £577.8million (2016: £537.2million), including a revaluation surplus on housing properties of £294.5million (2016: £299.4million).

Capital structure and treasury policy

The Thirteen treasury strategy was updated in June 2017 and provides the strategic direction for the group in relation to treasury activities.

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

The group has loan facilities in place of £379.8million at 31 March 2017 of which £91.6million is undrawn. All the undrawn loans are fully secured and capable of being drawn.

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

The group now has 10,472 properties not charged to any lender which would support over £325million loans. The financial plan scenario analysis shows that it is now capable of supporting an additional 2,167 units on top of the 2,939 currently planned.

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

Interest rate risk is well managed with 65% (2016: 53%) of drawn debt on a fixed interest rate and the sensitivity to changes in interest rates and inflation relatively low. The proportion fixed is forecast to remain at this level for some years.

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

The group repaid £46 million during the financial year (2016: borrowed £6million) after funding of new property developments and investment in existing property. At the financial year end group borrowings amounted to £288million (2016: £334million), of which £2million (2016: £5million) falls due to be paid within the next financial year as shown below:

Maturity	2017 £million	2016 £million
Within one year or on demand	2	5
Between one and two years	11	11
Between two and five years	53	72
After five years	222	246
	288	**334**

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 65% (2016: 53%) of the group's borrowings were at fixed rates. The fixed rates of interest, including the margin, ranged from 4.6% to 11.77% (2016: 3.1% to 11.77%) which compared to the current market where at the year-end comparable fixed rates were 3.4% (2016: 3.2%).

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

The gearing of Erimus Housing, calculated as total loans as a percentage of total assets less current liabilities, was reduced to 25% as at 31 March 2017 (2016: 31%) with £25million of loans repaid during the financial year. Gearing would be expected to fall over the next 12 months with further loans able to be repaid from a revenue surplus. Finance for new developments would also come from the revenue surplus and capital grants.

The gearing of Housing Hartlepool, calculated as total loans as a percentage of total assets less current liabilities, was reduced to 31% as at 31 March 2017 (2016: 39%) with £13million of loans repaid during the financial year. Gearing would be expected to fall over the next 12 months with further loans able to be repaid from a revenue surplus. Finance for new developments would also come from the revenue surplus and capital grants.

The gearing of Tristar Homes, calculated as total loans as a percentage of total assets less current liabilities, was reduced to 28% as at 31 March 2017 (2016: 31%) with £5million of loans repaid during the financial year. Gearing would be expected to fall over the next 12 months with further loans able to be repaid from a revenue surplus. Finance for new developments would also come from the revenue surplus and capital grants.

The gearing of Tees Valley Housing, calculated as total loans as a percentage of total assets less current liabilities had reduced to 31% as at 31 March 2016 (2016: 33%) with £2.7million of loans repaid during the financial year. During the next 12 months planned borrowing to finance new developments would have been expected, giving an increase in gearing.

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

The group had balances of cash and cash equivalents of £31.4million at 31 March 2017 (2016: £51.1million) and the current ratio stood at 1.5 (2016: 1.9). The group monitored cash flow forecasts closely to ensure that sufficient funds were available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required and utilising cash generated to reduce loan borrowing.

The consolidation of the Thirteen group took place on 30 June 2017 where Erimus Housing, Housing Hartlepool, Tees Valley Housing, Tristar Homes and Thirteen Care & Support consolidated into the Thirteen Housing Group under a transfer of engagements.
Thirteen Homes (formerly Portico Homes), Thirteen Commercial Services (formerly Partnering Plus) and Thirteen Property Development (formerly Optimus Homes) transferred to join Vela Homes (dormant) as subsidiaries of Thirteen.

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

Future developments

A key influence on the timing of borrowings is the rate at which development activity takes place and the levels of grant funding available. The board has approved plans to deliver 2,939 new properties over the next seven years, at a total cost of £343.3million. This investment will be funded from new borrowings, social housing grant from the Homes and Communities Agency along with internally generated surplus. Undrawn loan facilities of £91.6million are available under existing arrangements.

Thirteen's surveyors continue to undertake stock condition surveys of our housing stock on a rolling programme. In June 2016, Savills were engaged to complete a 15% sample of our stock to help us better understand our cost liabilities regarding capital repair and maintenance expenditure over the next 30-years. The data from both sources is being used to inform Thirteen's 30-year capital investment programme. The group plans to invest £34million in its major repairs programme during the 2018 financial year of which £13million will be capital expenditure.

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

Operating review

Reflecting on 2016/17, Thirteen made significant progress with its strategic priorities of:

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

Details of progress against these objectives is described below.

Priority One – Delivering Great Customer Service

- Performance improvements in 2016/17 included:
    - Reduced tenancy turnover from 12.6% to 11.7%.
    - Increased satisfaction with quality of home from 87.5% to 88.9%.
    - Reduced relet times for standard properties from 65 days to 46 days.
    - Reduced average call waiting times from 59 seconds to 30 seconds.
    - Improved complaints management with a centralised approach reducing the average response time from 8.3 days to 2.5 days and 100% within the target time of 5 working days.

- Improved performance within the contact team, supported by the introduction of a self-service portal for customers, giving access to make rent payments and enquiries and log complaints.

- 517 formal estate walkabouts completed, enabling us to engage with residents and identify and rectify issues.

- Market facing team introduced to manage more complex non-social housing stock, providing specialist management and achieving efficiencies.

- New Home Team created. A full evaluation will be undertaken in 2017, but initial feedback has been positive from customers and employees, with positive impacts on rent accounts and debt levels of new accounts being lower than before the team was introduced.

- Rent and Income service review completed and recommendations for improvement identified and being implemented, with a number of 'quick wins' enabling us to surpass a target of 5% reduction in amount of debt outstanding (a £336.6k reduction in debt; £241.2k ahead of target).

- Mobile working solutions rolled out to the neighbourhood teams, enabling them to work more efficiently with access to customer data during visits allowing for additional rent conversations to take place.

- An improved approach to voids management, delivering a new process and restructuring teams accordingly. Relet times reduced from 66.4 days in 2015/16 to 46 days in 2016/17; rent loss was 2% lower than budget; repair costs 15.3% lower than budget and 33% lower than previous year; standard voids reduced from 568 at March 2016 to 332 at March 2017, reducing voids as a % of stock from 1.83% to 1.07%.

Priorities due for completion in 2017/18

- Improve customer satisfaction.
- Maintain gas compliance.
- Improve repairs being completed right first time and average time to complete is quicker.
- Reduce voids.
- Reduce debt and increase income.
- Deliver more routine services digitally.
- Clarity of our customer offer.

Priority Two – Growing our Business as a Social Entrepreneur

Actions completed in 2016/17

- Four new extra care schemes were opened, providing 187 safe and secure housing units for over 55s requiring support, including an end of life suite.

- The assistive technology team's ICT system was improved, ensuring that information regarding customers' assistance requirements is available to all staff. The team has moved into new accommodation, providing telephone system back up should there be any failure on in-house

Operating review

systems. They have also achieved a Telecare Services Association accreditation.

- Homelessness Trailblazer – A partnership approach with Middlesbrough, Stockton-on-Tees, Hartlepool, Redcar & Cleveland and Darlington Councils and Coast & Country Housing Association: together we have secured over £710k in government funding to help households avoid crisis and prevent people becoming homeless. The scheme will see partners become ‘homelessness prevention trailblazers’, to deliver a more targeted approach to preventing homelessness.

- Other partnerships established to deliver services, include:
  a. Newcastle Integrated Domestic Abuse Service – a specialist integrated service, which in addition to providing safe and secure accommodation, includes support for children and young people.
  b. Redcar Resettlement Service for Syrian Refugees – supporting refugees to settle in the area. Of the eight families in the initial cohort, six families have remained.
  c. Providing support in two prisons.
  d. New Directions employment initiative: Thirteen is part of a consortium that successfully bid for this funding in the Tees Valley. Partners include New College Durham, Coast & Country, Actes and North Star. The initiative targets 15–29 year olds who are not in education, employment or training (NEET) to achieve positive outcomes for progression into education, employment and training.

- Introduced the support to stay service, a floating support service for individuals at risk of losing their accommodation, which was recognised as a positive initiative in the UK Housing Awards.

Priorities due for completion in 2017/18

- Improve our financial return.
- Clear on social return.
- Repairs efficiency leading to cashable savings.
- Voids efficiency leading to cashable savings.
- Plan in place to mitigate the impact of the Local Housing Allowance.
- Prepare options for a different rent model.
- Clarity on the way to access our support services.
- Being open to merger opportunities.
- Pursue stock acquisition opportunities.

Priority Three – Contributing to Regenerating the Tees Valley

Actions completed in 2017/18

- Developed a 30 year investment plan that provides a common “Thirteen standard” for our housing stock. This provides an understanding of investment requirements and associated expenditure requirements to maintain stock to an appropriate level. These have been built into the 30 year business plan and confirmed as affordable.
- Developed delivery plans for each local authority to create new homes and improve neighbourhoods.
- Implemented a new procurement framework with North East Procurement (NEP) to help reduce costs and increase value for money in the investment programme.
- Delivered £37m of major works and improvements.
- Delivered just under 250 new homes.
- Achieved the HCA “green” grade for our development scheme compliance.
- Implemented a volunteer framework, providing a range of voluntary roles at Thirteen, including volunteer befrienders, counsellors, health champions and peer mentors, and we welcome people from all backgrounds.

- The Investing in Volunteers quality standard has been awarded to the Thirteen volunteer programme in recognition of its excellence in recruiting, training and supporting volunteers.

Priorities due for completion in 2017/18

- Deliver affordable homes.
- Secure sales on shared ownership and market for sale.
- Deliver planned investment efficiently based on our stock condition survey.
- Remove category 4s and 5s from our stock.
- Complete an options appraisal on our stock outside of the Tees Valley.
- Action Plan put in place for investment/disinvestment in our high rise properties.
- Prepare options to move homes up a category based on our stock sustainability model.
- Agree a standard for the quality of a Thirteen Home.
- Implement an agreed standard for street cleaning and public realm improvements.
- Agree our estate investment programmes.
- Agree and develop our new Thirteen Homes portfolio
- Investment in community development within regeneration areas:
    - North Ormesby, Middlesbrough;
    - Grove Hill, Middlesbrough;
    - Victoria, Stockton;
    - South Bank, Redcar and Cleveland; and
    - Older housing areas in Hartlepool.

Priority Four – Being Team Thirteen

Actions completed in 2017/18

- UIMPROVE methodology embedded as Thirteen way for annual planning and project planning and delivery.
- Strategies reviewed and reduced, in line with the 5 year strategic plan. We now have a streamlined approach to strategic planning and a simplified and co-ordinated monitoring and reporting process.
- Commenced Group Reshape to ensure Thirteen is structured appropriately and fit for purpose.
- Group consolidation achieved (June 2017).

Priorities due for completion in 2017/18

- Being legal and safe.
- Improve our staff promoter score.
- Reduce colleague sickness.
- Ensure the boards and colleagues have the right ICT equipment and systems to improve efficiency and productivity.
- Ensure routine processes are E-enabled.
- Deliver a continuous value for money programme.
- Increase turnover, margin and return on investment.
- Deliver the reshape to ensure we have sufficient capacity and skills.

Value for money

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

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

The VFM framework consolidates our approach to VFM and is being enhanced through the delivery of a VFM project. The project aims to deliver a programme to ensure that VFM is embedded and an integral part of all policy development, project initiation, evaluation and recommendations to the board, and ensure all staff understand costs and the return on investment, whether financially or socially.

Under the regulatory framework, registered providers are required to produce and publish a value for money self-assessment annually and include it (or signpost to it) in the narrative report that accompanies their financial statements. The full value for money self-assessment for 2017 can be found on Thirteen's website at: www.thirteengroup.co.uk/page/value-for-money.

Thirteen is committed to not only achieving VFM, but also ensuring that our assets generate a return in terms of their financial, social and environmental impact. This includes generating a surplus that can be reinvested to support future objectives. Further details are included in the return on assets section on pages 31 to 32.

Thirteen's approach to performance management benchmarking and scrutiny is detailed in the 'How we compare – financial and operational performance' section on page 33 to 34, which highlights our financial performance benchmarked with the HCA Global Accounts and operational performance compared with Housemark's National Benchmarking Club. Our financial performance compares well nationally though we are aware that operational performance is, in some cases, median or lower quartile. We also participate in the Sector Scorecard benchmarking which includes the following key indicators:

Thirteen (consolidated)	2017	2016	2015
Operating Margin	30.0%	19.0%	21.4%
EBITDA MRI (as % of interest)	417.2%	282.9%	204.9%
Units Developed	248	184	547
Gearing	30.4%	36.0%	36.2%
Return on capital employed (ROCE)	4.9%	3.1%	3.4%
Headline social housing cost per unit	£3,065	£3,468	£3,572

VFM achievements for 2017

Actual savings achieved against budget for 2016/17 equated to £18.8million (£12.4million of recurring savings and £6.4million one-off savings). This equates to 11.39% of Thirteen's turnover.

Return on assets

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

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

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

Return on assets	2017	Global benchmark 2016	2016	2015 Restated	2014	2013
Erimus Housing	5.7%	3.8%	4.4%	4.0%	2.9%	2.7%
Housing Hartlepool	6.9%	3.8%	3.8%	5.4%	4.4%	1.2%
Tees Valley Housing	3.2%	3.8%	3.0%	4.8%	4.6%	4.2%
Tristar Homes	5.5%	3.8%	1.8%	-0.6%	-0.6%	5.0%
Thirteen Group consolidated	5.2%	4.1%	3.3%	3.2%	N/A	N/A

** The Global Benchmark is taken from the 2016 Global Accounts of Housing Providers and is the mean value across all landlords. 2015 results have been restated under FRS 102.*

The ROA ratio which measures our operating income against the cost of our housing properties as stated in the financial statements, has increased in 2017 to 5.2% (2016: 3.3%). Whilst there are differences between the ROA performances of the four main landlords, all have shown an increase in 2017, and all but Tees Valley Housing are now above the sector global benchmark including the group consolidated position. Whilst the ROA for the Tees Valley is below the sector global benchmark, this is due to the cost of Tees Valley's property assets being significantly more than other members of the group as would be expected from a traditional housing association. The group has returned strong financial performance for the year, demonstrated in the surplus that drives the ROA. There have been significant efficiency savings delivered in response to the government's rent reduction policy, which has helped to deliver the improved ROA performance. As expected Tristar Homes ROA ratio improved significantly during the year, from 1.8% to 5.5% now that the level of investment in housing properties has reduced to long term investment levels. The 2017 VFM achievements should also have a positive impact on ROA.

Existing use value for social housing (EUV-SH)

Following the introduction of FRS 102, we now hold our housing properties at cost (previously held at valuation). The table below shows the EUV-SH of our housing properties, which is the value generally used by the housing sector to show the 'value-in-use' for our housing properties.

Average EUV-SH per property	2017 £	2016 £	Increase %
Thirteen Group consolidated	24,586	24,296	1.2%

As can be seen from the table above, the value of our housing properties has increased over the past year by 1.2%. There have been two main factors, which have affected the valuation this year. Firstly, we are now seeing the impact of the government's 4-year rent reduction policy, which has reduced the EUV-SH value of housing properties across the sector. However, there has been a significant investment in our housing properties, which has helped to increase the value of properties, along with the development of new quality homes.

The group's average property value of £24,586 compares well against the group's average debt per unit of £8,660, showing that there is capacity within the group for future investment.

Sustainability score

Our in-house sustainability model SM@RT has been further developed to enable us to understand the performance of all our assets individually using a granular lens, at a street level using a broad lens and at an estate level using a wide-angle lens. The model incorporates information on the financial performance of our assets, along with socio-economic data, which allows us to take a more holistic and detailed view of the performance of our housing stock.

One new feature within SM@RT is scenario modelling through the interrogation of key data inputs including housing management costs, repair costs and investment costs or void and bad debt rates.

As mentioned earlier, a number of options appraisals have been presented to the Thirteen Leadership Team and Boards, and SM@RT is proving a useful tool in demonstrating that we understand the performance of our assets and the return they are generating.

SM@RT provides the following granular, broad and wide angle lensed outputs:

- NPV;
- Sustainability score; and
- Sustainability category

The NPV and sustainability scores are plotted on our sustainability matrix to highlight those assets that are poorly performing and may require option appraisal.

Using a granular lens the headline figures for current sustainability categories for Thirteen's stock falls into the following categories (Range = Cat 1 (good) to Cat 5 (poor):

- Category 1 = 1.4% (449) - star performers
- Category 2 = 16.7% (5,358)
- Category 3 = 70.1% (22,456)
- Category 4 = 8.7% (2,791)
- Category 5 = 3.2% (1,027) - liabilities

We have 88.2% sustainable stock and only 3.2% is considered as poorly performing. The majority of our general needs housing stock has been determined as being category 3. The properties / estates determined as category 5 are of particular concern, as they are not performing either on a financial or a social level and may require option appraisal. We have created an action plan to address the category 4 and 5 properties, carrying a level 2 assessment and, where required, a full option appraisal.

The majority of our property portfolio continues to be financially viable and is in a good state of repair (for example meeting decent homes standard), however through increased scrutiny we have identified individual properties, as well as a number of streets and estates within the portfolio that offer limited social and/or economic return. Consideration will be given to alternative use or disposal.

How we compare – financial and operational performance
Financial performance is benchmarked against other registered providers using the Global Accounts of Housing Providers 2016, published by the HCA. The individual partner landlord results can be found in the annual report and financial statements of each landlord. The consolidated position is illustrated in the following table:

Thirteen (consolidated)	2017	Global benchmark 2016	2016
Management costs £/unit	£504	£1,080	£571
Maintenance costs £/unit	£855	£1,010	£988
Void losses % of debit	2.0%	1.6%	2.6%
Bad debts % of debit	0.3%	0.7%	2.0%
Current tenant arrears % of debit	5.5%	4.5%	5.5%
Operating margin	30.0%	27.6%	19.0%
Debt per social housing unit £	£8,660	£24,299	£9,960
Effective interest rate (year-end)	4.7%	4.9%	4.1%

** The Global Benchmark is taken from the 2016 Global Accounts of Housing Providers and is the mean consolidated cost across all landlords.*

Existing use value for social housing (EUV-SH)

The following table gives a summary by partner landlord of headline social housing costs per property, from 2016 and 2017 broken down into key cost lines. This is set alongside the sector quartile figures for the sector as a whole in order to provide context.

Entity	Closing social housing units managed	Headline social housing cost/unit (£k)	M'gment cost/unit (£k)	Service charge cost/unit (£k)	Maint cost/unit (£k)	Major repairs cost/unit (£k)	Other social housing costs/unit (£k)
2016 results							
Erimus Housing	11364	3.12	0.58	0.25	0.92	1.16	0.2
Housing Hartlepool	7588	3.36	0.49	0.19	1.16	1.25	0.27
Tees Valley	4049	3.12	0.59	0.52	0.73	1	0.28
Tristar Homes	10356	3.67	0.52	0.26	1.05	1.64	0.2
Consolidated	**33534**	**3.47**	**0.57**	**0.31**	**0.99**	**1.26**	**0.34**
2017 results							
Erimus Housing	11357	2.98	0.49	0.23	0.85	1.22	0.19
Housing Hartlepool	7571	2.49	0.46	0.20	0.92	0.71	0.20
Tees Valley	4081	2.34	0.50	0.48	0.75	0.35	0.26
Tristar Homes	10297	3.36	0.46	0.28	0.87	1.54	0.21
Consolidated	**33442**	**3.06**	**0.50**	**0.30**	**0.86**	**1.10**	**0.31**
Sector level data 2016							
Upper quartile (least favourable)		4.35	1.32	0.6	1.18	1.08	0.45
Median		3.57	1.02	0.36	0.97	0.81	0.21
Lower quartile (most favourable)		3.12	0.74	0.24	0.79	0.54	0.08

Headline social housing costs

Overall social housing costs per unit have reduced in 2017 and falls into the lower (most favourable) quartile based on the 2016 sector level data.

Management costs

Thirteen has seen a £2.3million reduction in management costs in the year, reflecting the achievement of efficiency savings identified as a response to the 1% rent reduction applied to social landlord for the next five years. The reduced cost per unit compares very favourably with the 2016 mean costs of other consolidated groups. The HCA data illustrates that the management costs per unit of every partner landlord fell within the lower (most favourable) quartile in 2016 and 2017.

Service charge costs

Service charge costs per unit have moved only slightly, however we have generated over £800k in additional service charge income. As well as the usual movements in charges to reflect changes in cost, and new housing schemes coming into management, we have completed a comprehensive exercise to review services provided and we are taking steps to ensure we are recovering the costs of those services. This has generated approximately £630k in additional income.

Maintenance costs

The group's routine and maintenance costs have decreased by £4.5million. From the HCA data for 2016, maintenance costs fell into the median quartile for the LSVT landlords with Tees Valley Housing achieving lower (most favourable) quartile costs.

A number of measures were put in place during 2016/17 to reduce spend including:

- Reducing our agency costs and increasing the productivity of our in-house trade operatives;
- Reducing the use of sub-contractors and delivering more work in-house;
- Outsourcing in-house stores to a managed service with Travis Perkins; and
- The introduction of new budgetary control reports and processes.

Further measures to reduce costs will be introduced in 2017/18 that include:

- Introducing multi-skilling of in-house trade operatives to increase productivity levels and 'right first time';
- Procuring a new fleet of vehicles with a predicted saving of around 10% to 15%;
- Standardising repairs priorities for all landlords and re-designing customer and landlord responsibilities with the aim of reducing demand on the repairs service;
- Implementing of a new property services structure from April 2017; and
- Implementing of a new repairs management and job costing system, due to go live in August 2017.

Existing use value for social housing (EUV-SH)

Major repairs costs

We have achieved reductions in expenditure on major repairs whilst still investing in our properties. Cost savings have been achieved in 2017 from the introduction of a new contractor framework, procurement savings from the partnership with Travis Perkins and the attraction from grant funding for some of the fuel switch projects. Further reductions in major repairs budgets were initiated in response to the requirement to make efficiency savings. These budget decreases were achieved by reducing planned expenditure on boundary works and environmental programmes, disabled adaptations, external wall insulation and slowing down expenditure on various planned maintenance schemes where lifetimes of components may be extended without breaching decent homes requirements. Work is ongoing to extrapolate these efficiencies across the 30 year financial plan to ensure we continue to comply with the original surveys used to develop the plan.

Rent arrears and voids

Void loss has reduced from 2.6% to 2% in 2017 but is still higher than the global benchmark for 2016. We continue to experience low demand for some property types and areas. We are being proactive in identified poorly performing housing assets with consideration being given to redesign for alternative use or even disposal.

Bad debts have reduced significantly in 2017 which reflects our revised bad debt provision policy and not necessarily the level of debt written off, which was 0.8% of the debit.

Despite the continuing impact of welfare reform and wider austerity tenant arrears remain constant. The level of arrears can fluctuate depending on the level of housing benefit that is outstanding, so we focus on the underlying arrears net of housing benefit which was 3.3%.

Operating margin

The cost savings and additional income described the preceding paragraphs have resulted in a notable increase in the group's operating margin from 19% in 2016 to 30% in 2017.

Debt and interest

Debt per unit has reduced as a result of the aforementioned cost savings and additional income which has allowed us to repay a tranche of loan capital and not make any additional borrowings.

The effective interest rate remains lower than the benchmark reflecting the favourable market conditions at the point at which the rates were fixed.

Operational benchmarking

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

How we compare to our peers in key areas is presented in the following section.

Tenancy management

Tenancy Management	2017 Outturn	2016 Benchmark[1]	2016 Outturn
Tenancy Turnover (%)	11.9%[2] 10.2%[3]	9.5%	12.0%
Satisfaction with service (%)	82.1% [4] 85.2%[5]	88.0%	87.6%[6]

[1]Housemark. 2016 benchmark of Northern Housing Associations over 10,000 properties. Median
[2]All stock.
[3]Thirteen Standard Portfolio properties as a percentage of total stock
[4]2016 group wide Star Survey. January 2017.
[5]2017 group wide 'Deep Dive' survey. May 2017
[6]2016 group-wide survey of tenants and residents (STAR) survey

Tenancy turnover reduced slightly within the year. It should be noted that the 11.9% figure includes some known issues with data and it is most likely that it is not 'like for like when compared with our peers. It also includes some properties where turnover in terms of 'moving-on' is a specific outcome and a measure of success for the project. Whilst the figure of 10.2% is still higher than the median it is more realistic and reflects movement within the Thirteen standard portfolio properties. New definitions and calculations have been agreed for 2017.

The reduction was helped by a number of local neighbourhood interventions including a 'support to stay' programme targeted at vulnerable households. The neighbourhood team has been challenged to reduce overall terminations in 2018 and early signs for the first quarter suggest that fewer people are leaving their homes.

Customer satisfaction benchmark measures for all landlords reflect the survey of tenants and residents (STAR) customer survey carried out in December 2016 and reported in January 2017.

When measured against the May 2016 survey there was a decline in overall satisfaction and this reflected some of the service issues that were experienced throughout the year; particularly repairs and maintenance, following the introduction of the new computer system. A further 'Deep Dive' survey was carried out in May 2017 and this showed that satisfaction is increasing but the group is still short of the Northern median. The results continue to be used to inform and support the projects within the strategic plan. We continue to focus on three priorities for improvement; the speed of repairs, the availability and ease of contacting staff and listening to tenants.

A rolling programme of baseline satisfaction measures, based on STAR, has been implemented to measure progress on a more regular basis than that offered by the three yearly survey. The most comprehensive of these is a weekly survey of repairs and maintenance. Scores of over nine out of ten suggest an overall improvement in all aspects of the service.

Property maintenance

Property Maintenance	2017 Outturn	2016 Benchmark[1]	2016 Outturn	
Average number of calendar days to complete repairs (days) figure at quarter 3	12.6	9.4[7]	Erimus	10.5
			HHpool	9.7
			TV	8.0
			Tristar	9.3
Satisfaction with repairs and maintenance (%)	75.7%	82.9%	77.4%[8]	
Satisfaction with quality of home (%)	88.9%	87.1%	87.5%	
Average energy efficiency rating (SAP rate)	70.5[9]	70.4	70.1%	

[7]Housemark. 2016 benchmark of Northern Housing Associations over 10,000 properties. Median
[8]2016 STAR report
[9]This figure is an absolute figure it is not a percentage
[10]TLF Satisfaction Index™ uses importance scores to weight satisfaction scores. Weighted average score for each customer, expressed as a percentage

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

In 2017 the average time taken to complete a repair was 12.6 days. We continue to focus on reducing the number of emergency repairs being carried out and figures for the first quarter of 2018 suggest that numbers are reducing. We are working towards a more useful measure of 'on time first time' completions on repairs, as reflected by customer feedback.

A group-wide STAR survey was carried in May 2017 and the results showed a reduction in overall satisfaction. However, more recent work with weekly surveys shows that satisfaction – using The Leadership Factor satisfaction index is around 85.0%.

Existing use value for social housing (EUV-SH)

Empty properties

Empty properties	2017 Outturn	2016 Benchmark[1]	2016 Outturn
Properties empty and available to let (% of total stock)	1.5%	0.8%	1.9%
Average relet time in days (all relets including time spent on repairs work)[11]	40	32	Erimus 65 HHpool 79 TV 71 Tristar 77

[11]Using the Housemark/ Core return definition, i.e. all properties less those requiring major repairs.

The number of empty homes available for let had increased in 2016/17 and reducing the number of empty homes and the time taken to relet them became a key priority for our operational teams. By the end of March 2017 the number of all empty properties had reduced from 1002 to 733 and those available to let had reduced from 778 to 500.

In 2016 overall re-let times were adversely affected by the introduction of the new housing management ICT system particularly and performance was between 50 and 60 days across the group. However once problems with the system had been resolved and changes to the way we operated had been implemented, re-let time reduced to 46.1 days for Thirteen standard portfolio properties, reflected in a benchmark figure of 40.4 days.

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

Rent arrears

Rent arrears	2017 Outturn	2016 Benchmark[1]	2016 Outturn
Rent arrears of current tenants net of unpaid HB as a percentage of rent due (excluding voids)	3.3%	2.9%	3.4%

Trends for gross arrears and bad debts are harder to compare from year to year as they are affected by the timing of benefit payments and the most appropriate measure takes into account anticipated housing benefits payments.

Across the group the continuing impact of welfare reform and wider austerity has seen tenants experiencing difficulties in maintaining clear rent accounts and the group pursuing outstanding debt. Despite this the arrears figures for the key measures are beginning to reduce.

Section 3

Directors’ Report

Directors' Report

The Thirteen Board

The board directors and the executive directors of the group who were in office during the year and up to the date of signing the financial statements are set out on page 5.

Under the newly consolidated structure, the board has 10 non-executive directors and one executive director (the Chief Executive).

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

Board directors have been selected to achieve a complementary blend of skills and experience to ensure that the board possesses the necessary competencies to carry out its duties. This is supported by a board appraisal system and a programme of board induction, development and training.

Non-executive board directors are appointed for a fixed term of three years, reviewed annually via the appraisal 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 re-appointed by the board up to a maximum term of six years (or nine years if they were originally appointed prior to February 2015).

The Chief Executive becomes a board member on commencement of employment.

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

Remuneration paid to non-executive directors of the association in the financial year was £70,917 (2016: £70,949) and for the overall group was £172,583 (2016: £183,794). A breakdown of remuneration paid to each non-executive director is included in Note 10 to the financial statements.

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

Ian Wardle was appointed as Chief Executive with effect from 4 July 2016.

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

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

Directors' 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 throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Board attendance in 2017 (from 1 April 2016 to 31 March 2017

Board member	Thirteen Group Board	Audit & Risk Committee	Remuneration Committee	Treasury & Investment Committee	Group Board meeting attendance
George Garlick	Chair (from 1 April 2016)				6 out of 6
Margaret Fay	•		Chair		6 out of 6
Stan Irwin	•		•	•	5 out of 6
Andrew Lean	•			Chair	6 out of 6
Ian Wardle	• (from 4 July 2016)				4 out of 4
Alison Thain	• (to 30 June 2016)				2 out of 2
Brian Dinsdale (Chair of Erimus Housing Board)	•			•	6 out of 6
Julie Clarke (Chair of Housing Hartlepool Board)	•		•		4 out of 6
Mark Simpson (Chair of Tristar Homes Board)	•				5 out of 6
Gill Rollings (Chair of Thirteen Care and Support Board)	•			•	4 out of 6
Clare Brayson	•				6 out of 6
Annette Clark	•	• Chair			6 out of 6

• Member of the Thirteen Group board or committee

Internal controls assurance

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

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

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

The process for identifying, evaluating and managing the significant risks faced by Thirteen is ongoing and has been in place throughout the period commencing 1 April 2016 up to the date of approval of the report and financial statements.

Key elements of the internal control framework include:

- Board-approved terms of reference and delegated authorities for Thirteen's Audit and Risk, Remuneration and Treasury and Investment Committees;

- Standing orders, financial regulations and scheme of delegation approved by the Audit and Risk Committee;

- Robust strategic and business planning processes with detailed financial budgets and forecasts;
- Clearly defined management responsibility for identifying, evaluating and controlling significant risks;
- An articulated board risk appetite statement;
- Strategic risks aligned to Thirteen's strategic priorities;
- Assurance mapping identifying three levels of defence; golden rules; risk and compliance KPIs, and reported to Board;
- Quarterly review of strategic risks, stress testing outcomes and mitigating actions by the Audit and Risk Committee;
- Consideration of impact of board discussions and decisions on strategic risks at each board meeting;
- Directorate risk registers owned and regularly reviewed by each directorate's senior management team, and reviewed by the Audit and Risk Committee annually;
- Formal recruitment, retention, induction, training and development policies for employees and board directors;
- Established strategic planning framework supported by a project plan, managed by heads of service and monitored quarterly;
- A considered and prudent approach to treasury management which is subject to annual review;
- Regular reporting of key performance indicators to board, leadership team and performance clinic to assess progress towards the achievement of key business objectives, targets and outcomes;
- Board-approved whistle-blowing, probity and financial impropriety policies, including anti-money laundering, fraud and bribery;
- Regular reporting to the Audit and Risk Committee relating to transparency issues, including: gifts and hospitality; exception to standing orders; contract variations; award of housing and employment to staff and close relatives; payroll overpayments; data protection breaches; and whistleblowing incidents;
- Regular monitoring of loan covenants and requirements for new loan facilities;
- Regular scenario and stress testing of the financial plan and consideration of mitigating actions required as a result; and
- Detailed policies and procedures in each service area.

We maintain an exceptional events register which is reviewed by the Audit and Risk Committee on behalf of all boards in the group every quarter. This records suspected incidents of fraud and serious crime, breaches of governance policies, including ICT and data governance and any other exceptional events including whistleblowing. In April 2017, a breach of the organisation's ICT systems occurred when an email, purporting to be from the Chief Executive, was sent to a number of employees requesting that they log in to review a document on Office 365. A full investigation was carried out and details reported to the Audit and Risk Committee, Board and the HCA. This matter was reported to the Information Commissioner's Office (ICO) as potentially, personal data had been compromised. On 18 July we received confirmation from the ICO that they had completed their investigation and, in view of the remedial action taken by Thirteen, they were not taking any formal enforcement action. The HCA was informed of this matter.

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

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

Internal controls assurance

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

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

Employees
To achieve Thirteen's strategic objectives, we need to ensure we can recruit and retain the right staff at the right time, with the right skills. We also need to ensure that these staff members are highly engaged, high performing, work collaboratively across the organisation and are as efficient as they can be in what they do.

A key part of ensuring that we achieve this is ensuring colleagues are clear about where we are focusing our efforts as a business, ensuring that we have the right resources to deliver our priorities.

We have spent a key part of the year focusing on ensuring employees have a say in our direction, understand it and also understand the part they play in delivering it and this has

included revisiting our vision, aims and strategic priorities. The result of this has since been published in the 2017-2022 Strategic Plan, alongside the high-level projects that we will take forward to realise our ambitions. We intend to use the Uimprove Project Management approach to ensure that our resources are effectively planned, alongside our performance indicators to make sure that relevant targets are met.

A key project included in the Strategic Plan will also ensure that our aspiration to be an employer of choice is considered much further over the coming year, with a real focus on developing staff structures, performance management, reward and recognition, employee engagement and other employment frameworks which are consistent with our philosophy as an organisation.

Throughout the year, we have continued to ensure that our colleagues have been provided with the necessary skills training and support to deliver their roles and to provide relevant mechanisms by which they can influence and shape decisions made at both an operational and strategic level. We have also continued to honour our commitment to having a diverse workforce and ensured that our pay and terms and conditions meet equal pay principles.

With the board fully aware of its health and safety responsibilities, it has continued to use the consultation framework, which includes a health and safety committee and working groups from all directorates to safeguard the health and wellbeing of colleagues. Our health and safety policy statement, which is supported by detailed policies and procedures, is reviewed on an annual basis, with training and education provided to colleagues on all relevant matters.

Donations
The group made no charitable donations during the year (2016: £nil) and made no political donations (2016: £nil).

Complaints
The group received 161 complaints during the year (2016: 993), the majority of which related to repairs performance. Of these, four were outstanding at 31 March 2017. Two complaints were referred to the Housing Ombudsman one of which was outstanding at 31 March 2017.

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

The existence of these financial instruments exposes the group to a number of financial risks. The main risks arising from the group's financial instruments are considered by the directors to be interest rate risk, liquidity risk, counterparty and credit risk. The board review and agree policies for managing each of these risks and they are summarised below.
The group borrows and lends only in sterling and so is not exposed to currency risk.

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

Liquidity risk
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably.
The maturity of borrowings is set out above. In addition to these borrowings the group has £91.6million of undrawn committed facilities.

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

Credit risk
The group's principal credit risk related to tenant arrears. This risk is managed by providing support to tenants with applications for housing benefit and to closely monitor the arrears of all tenants. As noted above, proposed changes to the benefits system has been identified as a key risk to the group.

Going Concern
The group's business activities, its current financial position and factors likely to affect its future development are set out within this Strategic Report. The group has in place long-term debt facilities, including £91.6million of undrawn facilities at 31 March 2017, which provide adequate resources to finance committed reinvestment and development programmes along with the group's day to day operations.

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

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

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

NHF Merger Code
The group has signed up to the voluntary NHF Merger Code and complies with the principal recommendations within the code. One approach was made to another housing association during 2016/17.

Modern Slavery Act 2015
Thirteen has a statement of compliance with the requirements of the act which is reported to the Audit and Risk Committee annually for assurance and published on Thirteen's website.

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

Statement of board's responsibilities

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

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

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

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

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

Annual General Meeting
The Annual General Meeting takes place on 13 September 2017.

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

The directors' report was approved by the board of Thirteen Housing Group Limited on 13 September 2017 and signed by order of the board by:

George Garlick
Chair of Thirteen Housing Group Limited


Laying the foundations

Section 4

Independent Auditors Report to the Members of Thirteen Housing Group Limited

Report on the financial statements

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

- give a true and fair view of the state of the group's and of the registered provider's affairs as at 31 March 2017 and of the group's surplus and the registered provider's result and group's cash flows for the year then ended;

- 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 2015.

What we have audited
The financial statements included within the Annual Report and Financial Statements ("Annual Report") comprise:

- the group and registered provider statements of financial position as at 31 March 2017;

- the group and registered provider statements of comprehensive income for the year then ended;

- the group and registered provider statements of changes in reserves for the year then ended;

- the group statement of cash flows for the year then ended; and

- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Other matters on which we are required to report by exception

Propriety of accounting records, system of internal control and information and explanations received

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 registered provider; or
- the registered provider financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Board's Responsibilities set out on page 46, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

Section 5

Consolidated Statements

Group Statement of Comprehensive Income

For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	3	164,989	163,964
Operating expenditure	3	(115,438)	(132,800)
Operating surplus	5	49,551	31,164
Gain on disposal of property, plant and equipment (fixed assets)	6	1,372	583
Interest receivable	7	176	311
Interest payable and similar charges	8	(12,236)	(12,182)
Other finance costs	29	(1,343)	(1,272)
Surplus on ordinary activities before taxation		37,520	18,604
Tax on surplus on ordinary activities	11	-	1
Surplus for the year		37,520	18,605
Actuarial gain in respect of pension schemes	29	3,227	3,730
Remeasurement loss in respect of pension scheme	29	(123)	(1,426)
Unrealised deficit on the revaluation of investment properties	-		(100)
Total comprehensive income for the year		40,624	20,809

The consolidated results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The accompanying notes form part of the financial statements.

The financial statements on pages 52 to 108 were approved and authorised for issue by the board of directors on 13 September 2017 and signed on its behalf by:

George Garlick	Ian Wardle	Heather Ashton
Director	Director	Secretary

Association Statement of Comprehensive Income

For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	3	43,306	51,863
Operating expenditure	3	(43,256)	(51,816)
Operating surplus	5	50	47
Interest receivable	7	8	10
Interest payable and similar charges	29	(18)	(15)
Other finance costs	29	(40)	(42)
Result on ordinary activities before taxation		-	-
Tax on result on ordinary activities	11	-	-
Result for the year		-	-
Actuarial (loss)/gain in respect of pension schemes	29	(525)	317
Remeasurement loss in respect of pension scheme	29	(20)	(234)
Total comprehensive income for the year		(545)	83

The association's results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements on pages 52 to 108 were approved and authorised for issue by the board of directors on 13 September 2017 and signed on its behalf by:

George Garlick
Director

Ian Wardle
Director

Heather Ashton
Secretary

Group Statement of Changes in Reserves

For the year ended 31 March 2017

	Income and Expenditure Reserve	Restricted Reserve	Revaluation Reserve	Minority Interest £'000	Total Reserves £'000
Balance as at 1 April 2015	211,132	292	304,978	12	516,414
Surplus for the year	18,594	11	-	-	18,605
Other comprehensive income for the year	2,204	-	-	-	2,204
Transfer from revaluation reserve to income and expenditure reserve	5,611	-	(5,611)	-	-
Transfer from income and expenditure reserve to restricted reserve	(47)	47	-		-
Balance as at 1 April 2016	237,494	350	299,367	12	537,223
Surplus for the year	37,520	-	-	-	37,520
Other comprehensive income for the year	3,104	-	-	-	3,104
Transfer from revaluation reserve to income and expenditure reserve	4,878	-	(4,878)	-	-
Transfer from income and expenditure reserve to restricted reserve	(91)	91	-	-	-
Balance as at 31 March 2017	282,905	441	294,489	12	577,847

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 2017, the income and expenditure reserve included £44million defined pension liability (2016: £45.3million).

Association Statement of Changes in Reserves

For the year ended 31 March 2017

	Expenditure Reserve £'000
Balance as at 1 April 2015	(1,645)
Result for the year	-
Other comprehensive income for the year	83
Balance as at 1 April 2016	(1,562)
Result for the year	-
Other comprehensive expenditure for the year	(545)
Balance as at 31 March 2017	(2,107)

Income and Expenditure reserve

At 31 March 2017, the income and expenditure reserve included £2.8million defined pension liability (2016: £2.2million).

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 March 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Fixed assets					
Tangible fixed assets	12,13	999,388	979,287	-	-
Investment properties	14	2,410	2,410	-	-
Homebuy loans receivable	15	1,101	1,101	-	-
Financial assets	16	1	1	-	-
Total fixed assets		1,002,900	982,799	-	-
Current assets					
Properties for sale	18	6,399	10,087	-	-
Stock	19	-	198	-	198
Debtors	20	17,391	17,931	12,148	13,194
Cash and cash equivalents	21	31,349	51,063	540	610
		55,139	79,279	12,688	14,002
Creditors: amounts falling due within one year	22	(37,967)	(42,035)	(11,981)	(13,318)
Net current assets		17,172	37,244	707	684
Total assets less current liabilities		1,020,072	1,020,043	707	684
Creditors: amounts falling due after more than one year	23	(398,217)	(437,544)	-	-
Provisions for liabilities					
Pension provisions	29	(44,008)	(45,276)	(2,814)	(2,246)
Total net assets/(liabilities)		577,847	537,223	(2,107)	(1,562)
Reserves					
Minority interest		12	12	-	-
Revaluation reserve		294,489	299,367	-	-
Restricted reserve		441	350	-	-
Revenue reserve		282,905	237,494	(2,107)	(1,562)
		577,847	537,223	(2,107)	(1,562)

The accompanying notes form part of these financial statements.

The financial statements on pages 52 to 108 were approved and authorised for issue by the board of directors on 13 September 2017 and signed on its behalf by:

George Garlick Director	Ian Wardle Director	Heather Ashton Secretary

Group Statement of Cash Flows

For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Net cash generated from operating activities	32	72,743	43,843
Cash flow from investing activities			
Purchase of tangible fixed assets		(44,151)	(40,439)
Proceeds from sale of tangible fixed assets		5,348	4,388
Loans advanced to home owners		-	(48)
Loans repaid by third parties		-	-
Grants received		5,186	5,976
Interest received		176	311
		(33,441)	(29,812)
Cash flow from financing activities			
Interest paid		(13,296)	(13,790)
New secured loans		-	6,001
Repayments of borrowings		(45,720)	(3,505)
		(59,016)	(11,294)
Net change in cash and cash equivalents		(19,714)	2,737
Cash and cash equivalents at beginning of the year		51,063	48,326
Cash and cash equivalents at end of the year		31,349	51,063

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 Home and Communities Agency (HCA) as a private registered provider of social housing.
The financial statements of the group and association have been prepared in compliance with FRS 102 as it applies to the financial statements of the group and association for the year ended 31 March 2017.

2. Accounting policies

Basis of accounting

The financial statements of the group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102, the Financial Reporting Standard applicable in the UK and Ireland (FRS 102), the Companies Act 2006 and the Statement of Recommended Practice (SORP): accounting by Registered Housing Providers 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. Accounting policies have been applied consistently throughout the year. The financial statements are prepared on a going concern basis, under the historical cost convention.
The group has opted to apply the exemption available under Paragraph 1.11 of FRS 102 to not prepare an individual statement of cash flows in the financial statements of subsidiary companies or the association. A consolidated statement of cash flows is included in these consolidated financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of the association and its subsidiaries at 31 March 2017 using acquisition accounting. Accounting policies have been applied consistently across the group. Intra-group transactions, balances and unrealised surpluses on transactions between group entities are eliminated on consolidation.

Turnover

Turnover comprises income from lettings, revenue grants and contract income, capital grants from non-government sources and amortised grants from government sources, income from properties built for outright sale and first tranche shared ownership sales and income from the supply of other goods and services.
Rents and service charges from lettings are recognised net of losses from voids. Income is recognised from the date the property is first let.
Income from first tranche shared ownership sales and properties built for outright sale is recognised at the point of legal completion of the sale.
Income from the supply of other goods and services is recognised at the invoiced amount, net of VAT, in the period that the goods or services were supplied.
Grants relating to revenue expenditure are credited to the comprehensive income and expenditure statement in the same period as the expenditure to which they relate.
Supporting people and other contract income is recognised when it is entitled to be received under the terms of the contract.

Bad debts

For rent ledger debtors, risk factors are identified which impact upon the likelihood of the debt being collected.
For each risk category, collection rates are assessed and provision made for the value of the debt unlikely to be collected based on experience and consideration of future changes which may affect collection rates.
For sales ledger debtors, the provision is based on the customer type and the likelihood of the debt being collected based on experience of collection rates and consideration of future changes which may affect these collection rates.
Where there is a policy in the organisation not to collect 100% of the income chargeable, the amount not collectable is provided immediately.
Bad debts are written off against the provision once all avenues for collection have been exhausted.

Value added tax

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

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

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

Interest receivable and payable

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

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

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

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

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

Retirement benefits

The group participates in three funded multi-employer defined benefit schemes, the Teesside Pension Fund (TPF), the Social Housing Pension Scheme (SHPS) and the Pensions Trust Growth Plan. There is also a defined contributions scheme through Aegon for employees of Thirteen Care and Support.

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

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

Schemes managed by agents

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

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

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

Interests in joint ventures

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

Leased assets

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

Housing properties

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

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

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

- Tees Valley Housing – converted to historical cost

From 1 April 2014, all companies measure additions to existing properties and properties under construction at cost. Costs include the direct costs of acquisition including fees, development staff costs, development period interest and expenditure incurred on improvements.
Expenditure on improvements that enhance the economic benefits of an asset by increasing its rental stream, reducing future maintenance costs or significantly extending its useful economic life or that restores or replaces a component that has been treated separately for depreciation purposes is capitalised.

Shared ownership and other shared equity schemes
The cost of unsold shared ownership properties, including those under construction, are split proportionally between current and fixed assets according to the expected

percentage of the first tranche sale. The cost of the expected first tranche is included in current assets with the remainder being included in fixed assets.
Loans to purchasers of properties sold under shared equity schemes are included in fixed asset investments.

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

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

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

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

- Tees Valley Housing: SHG is held on the statement of financial position and amortised to the comprehensive income and expenditure statement over the life of the property structure which the grant was received for.

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

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

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

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

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

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

- Grants from government sources are held on the statement of financial position as a deferred capital grant, and amortised to the comprehensive income and expenditure statement over the life of the structure of the property.

- Grants from non-government sources are recognised in the statement of comprehensive income once any conditions attached to the receipt of the funding has been met.

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

Depreciation of housing properties
Freehold land is not depreciated. Depreciation of buildings is provided on the cost or valuation, so as to write down the net book value of housing properties to their estimated residual value. Depreciation is calculated on a straight line basis over the useful economic life of the building. Rates range from 0.8% - 4% per annum.

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

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

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

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

Impairment

Fixed assets are reviewed for impairment if there is an indication that impairment may have taken place. Where there is evidence of impairment, fixed assets are written down to their recoverable amount, being the higher of the net realisable value and the value-in-use. Any such write down is charged to the operating surplus, unless it is a reversal of a past revaluation surplus.

Other tangible fixed assets

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

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

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

Leased assets

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

Stocks and work-in-progress

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

Disposal proceeds fund

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

Financial Instruments

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

Cash and cash equivalents

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

Debtors and other receivables

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

Creditors and loans payable

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

Notes to the Financial Statements

Tenancy repayment arrangements

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

Taxation

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

Reserves

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

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

Significant judgements

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

FRS 102 transition options

The group has applied the following transition options:

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

- Tees Valley Housing has converted to historical cost.

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

Property classifications

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

Relevant factors that have been considered as part of this assessment include:

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

Impairment assessment

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

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

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

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

Financial instrument classifications

The financial instruments held by the group have been assessed to determine whether they meet the basic or non-basic criteria set by FRS 102. All financial instruments have been concluded as basic as part of this assessment and are therefore held using the historic cost convention.

Agreements to improve existing properties

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

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

Notes to the Financial Statements

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

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

Revaluation reserve

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

Estimation Uncertainty

Property components and lives

Management review the assigned lives of assets and individual components. A detailed review was carried out in 2015 to harmonise policies across the group which included decisions on the appropriate lives. These decisions were made based on historic knowledge and benchmarking against similar organisations. Depreciation charged in respect of housing properties during 2017 was £18.1million (2016: £16.8million).

Recoverable amount of rental and other debtors

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

Defined benefit obligations

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

Asset recoverable values for impairment assessments

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

Investment property valuations

Investment properties are valued at their market value which is considered to be their fair value at the reporting date. Management utilise an expert valuer to provide their assessment on the appropriate market values to apply. Investment properties are estimated to be worth £2.4million as at 31 March 2017 (2016: £2.4million).

Holiday pay accrual

An accrual is made for untaken paid annual leave at the year end. The liability is calculated by taking a sample of holiday cards at the end of the accounting period to determine the average number of untaken days. This number is then applied to the aggregate daily pay costs to arrive at the amount to be accrued.

Notes to the Financial Statements

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

Group – continuing activities

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

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

Group – continuing activities

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

Notes to the Financial Statements

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

Association – continuing activities

	2017			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000
Other social housing activities				
Management services	19,242	-	(19,296)	(54)
Repair and maintenance services	23,341	-	(23,341)	-
Non social housing activities				
Lettings	50	-	-	50
Other	673	-	(619)	54
	43,306	-	(43,256)	50

Association – continuing activities

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

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

Particulars of income and expenditure from social housing lettings

Group	General needs housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	2017 Total £'000	2016 Total £'000
Rent receivable net of identifiable service charges	125,782	12,537	2,523	140,842	140,383
Service charge income	3,446	3,380	322	7,148	6,321
Amortised government grants	1,109	-	-	1,109	1,114
Turnover from social housing lettings	130,337	15,917	2,845	149,099	147,818
Management	(13,767)	(2,603)	(485)	(16,855)	(19,145)
Service charge costs	(5,801)	(4,119)	(209)	(10,129)	(10,431)
Routine maintenance	(22,446)	(1,248)	(223)	(23,917)	(28,578)
Planned maintenance	(4,417)	(216)	(46)	(4,679)	(4,562)
Major repairs expenditure	(22,374)	(895)	(229)	(23,498)	(31,727)
Bad debts	(277)	(146)	(31)	(454)	(2,888)
Property lease charges	(118)	-	(5)	(123)	(140)
Depreciation of housing properties	(16,207)	(1,800)	(766)	(18,773)	(17,552)
Impairment of housing properties	-	-	-	-	-
Operating expenditure on social housing lettings	(85,407)	(11,027)	(1,994)	(98,428)	(115,023)
Operating surplus on social housing lettings	44,930	4,890	851	50,671	32,795
Void losses	(2,150)	(723)	(70)	(2,943)	(3,880)

Particulars of turnover from non-social housing lettings

Group	2017 £'000	2016 £'000
Non-social housing		
Market rented units	147	152
Commercial units	657	654
Student accommodation	266	264
Garages	771	814
	1,841	1,884

Notes to the Financial Statements

4. Accommodation in management and development

Group	2017 Number of properties	2016 Number of properties
At the end of the year accommodation in management for each class of accommodation was as follows:		
Social housing		
General housing		
- social rent	25,723	26,032
- affordable rent	2,988	2,941
Supported housing and housing for older people	2,896	2,734
Low cost home ownership	956	981
Total owned	32,563	32,688
General housing managed for others	114	47
Supported housing managed for others	39	73
Leasehold properties	726	726
Total owned and managed	33,442	33,534
Non-social housing		
Market rented	30	30
Other property types		
Commercial units	166	167
Garages	3,313	3,332
Garage sites	267	255
Student accommodation	81	81
Homebuy direct	4	4
Non-social housing rent	4	14
Non-social housing leasehold	44	25
Total owned and managed	3,879	3,878
Accommodation in development at the year end	583	383

The group owns 87 and leases 30 supported housing units (2016: owned 82 and leased 30) that are managed on its behalf by other bodies who contract with the supporting people administering authorities and carry the financial risk related to the supported housing units.

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

5. Operating surplus

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
This is arrived after charging/(crediting):				
Depreciation of social housing properties	18,140	16,772	-	-
Impairment of housing properties	-	-	-	-
Depreciation of other tangible fixed assets	2,617	2,205	-	-
Impairment of other tangible fixed assets	-	685	-	-
Operating lease rentals				
- Land and buildings	486	584	16	3
- Office equipment and computers	275	339	268	261
- Motor vehicles	833	972	833	972
Auditors' remuneration (excluding VAT)				
- For audit services	71	106	71	105
- For taxation compliance services	16	15	15	14
- For taxation advisory services	16	76	16	76
- For audit-related assurance services	5	5	5	-
- For other assurance services	6	214	-	214

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

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

Group	2017 £'000	2016 £'000
Housing properties		
Disposal proceeds	5,617	4,462
Repayable to the local authority	(451)	(477)
Discount repaid	-	31
Carrying value of fixed assets	(3,935)	(3,357)
Administrative costs of sale	-	(3)
	1,231	656
Capital grant recycled (note 25)	209	26
Disposal proceeds fund (note 26)	(27)	(159)
	1,413	523
Other tangible fixed assets		
Disposal proceeds	-	95
Carrying value of fixed assets	(41)	(35)
Administrative costs of sale	-	-
	(41)	60

7. Interest receivable

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank interest receivable and similar income	175	310	8	10
Loan interest receivable	1	1	-	-
	176	311	8	10

8. Interest payable and similar charges

Group	2017 £'000	2016 £'000
Loans and bank overdrafts	13,275	13,709
Amortisation of borrowing costs	141	85
Interest payable charged to other activities	(112)	(113)
Other interest payable	269	92
	13,573	13,773
Interest payable capitalised on housing properties under construction	(1,337)	(1,591)
	12,236	12,182

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

	2017	2016
Erimus Housing	4.2%	4.2%
Housing Hartlepool	4.2%	4.4%
Tees Valley Housing	4.4%	4.7%
Tristar Homes	3.9%	3.9%

Notes to the Financial Statements

9. Employees

	Group 2017 Number	2016 Number	Association 2017 Number	2016 Number
Average monthly number of employees				
Administration	190	171	186	161
Regeneration and development	27	32	27	32
Housing, support and care	1,245	1,331	519	363
	1,462	1,534	732	556

	Group 2017 Number	2016 Number	Association 2017 Number	2016 Number
Expressed as full time equivalents				
Administration	182	167	179	157
Regeneration and development	26	31	26	31
Housing, support and care	1,136	1,231	504	352
	1,344	1,429	709	540

	Group 2017 £'000	2016 £'000	Association 2017 £'000	2016 £'000
Employee costs				
Wages and salaries	38,050	40,867	22,083	21,149
Social security costs	3,485	3,022	2,211	1,605
Other pension costs	3,467	3,694	2,254	2,149
	45,002	47,583	26,548	24,903
Restructuring costs	1,300	909	1,034	775
	46,302	48,492	27,582	25,678

Other pension costs exclude current service costs accounted for under section 28 of FRS 102. These service costs amounted to £1,028k for the financial year (2016: £1,450k) for the group and £110k (2016: £131k) for the association.

Other pension costs exclude payments to the Social Housing Pension Scheme to fund past deficits. These payments amount to £609k for the financial year (2016: £462k) for the group and £145k (2016: £118k) for the association.

Other pension costs also exclude payments to the Pensions Trust to fund past deficits of the growth plan. These payments amount to £17k for the financial year (2016: £17k) for the group.

Past service deficit payments to the Teesside Pension Fund are also excluded. These payments amount to £283k for the financial year (2016: £283k) for the group.

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

10. Key management personnel

Group and association				2017	2016
	Basic salary	Benefits in kind	Pension contributions	Total	Total
Executive directors	£'000	£'000	£'000	£'000	£'000
Alison Thain (to 30 June 2016)	43	-	-	43	200
Cath Purdy (to 30 June 2015)	-	-	-	-	52
Barbara Heather Ashton	127	-	19	146	146
Martin Hawthorne (to 30 June 2017)	118	-	11	129	131
Ian Wardle (from 4 July 2016)	119	-	18	137	-
Russell Thompson (from 3 August 2015)	128	-	12	140	97
Dave Pickard to (30 June 2017)	118	-	17	135	135
Christine Smith	108	-	19	127	127
Susan Bickerton (to 10 July 2015)	-	-	-	-	24
	761	0	96	857	912

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

The emoluments of the highest paid director, excluding pension contributions, were £128,124 (2016: £181,019).

The full time equivalent number of staff who received emoluments:

	Group		Association	
	2017	2016	2017	2016
	Number	Number	Number	Number
£70,001 to £80,000	5	8	5	8
£80,001 to £90,000	6	4	6	4
£90,001 to £100,000	-	1	-	1
Over £100,000	6	5	6	5

10. Key management personnel

Non-executive directors

Emoluments paid to non-executive directors of the group amounted to £172,583 (2016: £183,794) and reimbursement for expenses amounted to £4,194 (2016: £11,432).

An analysis of these payments are shown below:

	Basic salary £'000	Expenses £'000	2017 Total £'000	2016 Total £'000
Nadeem Ahmed	2	-	2	3
Helen Batey	4	-	4	4
Clare Brayson	12	-	12	9
Michael Bretherick	4	-	4	2
Moira Britton (to 17 August 2016)	2	-	2	4
Ian Brown	2	-	2	1
David Cheetham	1	-	1	2
Mike Clark (to 31 March 2016)	-	-	-	21
Annette Clark (from 23 September 2015)	12	-	12	8
Julie Clarke	12	-	12	13
Brian Dinsdale	12	-	12	13
Margaret Fay (to 30 June 2017)	12	-	12	12
George Garlick	20	-	20	2
Miriam Harte (from 7 September 2015)	4	-	4	2
Tracey Harvey	4	-	4	4
Alan Hodgson (to 8 April 2016)	-	-	-	2
Keith Hurst (from 7 September 2015)	4	-	4	2
Stan Irwin (to 31 March 2017)	8	-	8	8
Sue Jeffrey (to 23 September 2015)	-	-	-	4
James Johnsone	4	-	4	4
Carla Keegans (from 3 September 2015)	4	-	4	2
Andrew Lean	12	1	13	12

10. Key management personnel

Non-executive directors

	Basic salary £'000	Expenses £'000	2017 Total £'000	2016 Total £'000
Hugh McGouran	4	-	4	4
Pamela McIvor	4	-	4	4
Robert Murphy (to 7 September 2015)	-	-	-	2
David Murtagh (to 23 September 2015)	-	-	-	5
Neil Pattison	2	-	2	1
Sarah Robson (to 3 September 2015)	-	-	-	2
Gill Rollings (to 30 June 2017)	8	1	9	10
Jenny Shepherd (to 30 June 2015)	-	-	-	1
Mark Simpson	12	-	12	12
John Stoney (to 7 September 2015)	-	-	-	2
Christine Storrs (to 1 April 2016)	-	-	-	5
Mick Thompson	4	-	4	4
Michelle Tierney (co-opted from November 2015)	4	-	4	4
Lawren Walker (to 3 September 2015)	-	-	-	2
Nicola Walker (to 3 September 2015)	-	-	-	2
Other expenses less than £500	-	2	2	-
	173	4	177	194

11. Tax on surplus on ordinary activities

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Current tax				
UK corporation tax on profits for the year	-	(1)	-	-
Adjustments in respect of prior years	-	-	-	-
Tax on ordinary activities	-	(1)	-	-

Factors affecting tax charge for the current year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Surplus/result on ordinary activities before taxation	37,520	18,604	-	-
Tax on surplus/result at standard UK tax rate of 20% (2016: 20%)	7,504	3,721	-	-
Effects of:				
Non-taxable income	(7,504)	(3,722)	-	-
Expenses not deductable for tax purposes	8	1	8	1
Movement in short term timing differences	110	(8)	110	(8)
Utilisation of tax losses	(9)	(30)	(9)	(30)
Items charged elsewhere	(109)	16	(109)	16
Impact of FRS 102 transitional adjustments	-	21	-	21
Total current tax charge for the financial year	-	(1)	-	-

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 2016	882,584	56,688	52,074	7,039	998,385
Additions	477	23,910	1,505	3,850	29,742
Works to existing properties	19,611	(4,976)	-	-	14,635
Interest capitalised	-	1,172	-	164	1,336
Schemes completed	19,462	(19,462)	1,874	(1,874)	-
Disposals	(4,969)	-	(2,552)	-	(7,521)
Transfers to other fixed assets	-	(240)	-	-	(240)
Transfer to current assets	2,501	(551)	-	(3,104)	(1,154)
At 31 March 2017	919,666	56,541	52,901	6,075	1,035,183
Accumulated depreciation and impairment					
At 1 April 2016	59,107	3,795	3,766	169	66,837
Depreciation charged in year	17,345	-	795	-	18,140
Depreciation released on disposal	(1,364)	-	(109)	-	(1,473)
At 31 March 2017	75,088	3,795	4,452	169	83,504
Net book value					
At 31 March 2017	844,578	52,746	48,449	5,906	951,679
At 31 March 2016	823,477	52,893	48,308	6,870	931,548

12. Tangible fixed assets – housing properties

Transitional arrangements

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

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

Social housing assistance

Total accumulated social housing grant receivable at 31 March was:

Group	2017 £'000	2016 £'000
Amounts held as deferred income	115,956	111,890
Amounts charged to income and expenditure	70,971	69,851
	186,927	181,741

Housing properties book value, net of depreciation

Group	2017 £'000	2016 £'000
Freehold land and buildings	934,699	903,604
Long leasehold land and buildings	16,326	14,109
Short leasehold land and buildings	654	13,835
	951,679	931,548

Expenditure on works to existing properties

Group	2017 £'000	2016 £'000
Components capitalised to property assets	14,635	8,542
Components capitalised to other fixed assets	896	2,038
Amounts charged to income and expenditure account	23,493	31,714
	39,024	42,294

12. Tangible fixed assets – housing properties

Impairment

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

No impairment provision was made in 2017 (2016: £nil).

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 2016	34,182	25,274	1,403	1,204	62,063
Additions	60	1,768	800	-	2,628
Disposals	(606)	(1)	(10)	(1)	(618)
At 31 March 2017	33,636	27,041	2,193	1,203	64,073
Accumulated depreciation					
At 1 April 2016	1,981	10,963	530	850	14,324
Charged in year	326	1,996	80	215	2,617
Impairment adjustment	(259)	-	-	-	(259)
Released on disposal	(306)	(1)	(10)	(1)	(318)
At 31 March 2017	1,742	12,958	600	1,064	16,364
Net book value					
At 31 March 2017	31,894	14,083	1,593	139	47,709
At 31 March 2016	32,201	14,311	873	354	47,739

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

Impairment

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

An impairment adjustment of £0.3m was made in 2017 (2016: £0.7m).

14. Investment properties

Group	2017 £'000	2016 £'000
At 1 April	2,410	2,510
Movement in value	-	(100)
At 31 March	2,410	2,410

Investment properties were valued as at 31 March 2017 by Greig Cavey Commercial Limited, professional external valuers in accordance with the RICS Valuation Standards 2014 ("The Red Book"). The valuation was undertaken on the basis of market value as individual units with the assumption of vacant possession or that the tenant who is in occupation occupies under an assured shorthold tenancy, is not a protected tenant and vacant possession can be secured if required.

15. Homebuy loans receivable

Group	2017 £'000	2016 £'000
Shared Equity and Homebuy Direct loans		
At 1 April	1,101	1,053
New loans issued	-	48
At 31 March	1,101	1,101

16. Financial assets

Group	2017 £'000	2016 £'000
Financial investment in Woodside Homes Limited	1	1
	1	1

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

17. Investments in subsidiaries

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

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

Erimus Housing has a further subsidiary, Thirteen Property Development (formerly Optimus Homes) and Tees Valley Housing has two subsidiaries, Thirteen Homes (formerly Portico Homes) and Thirteen Commercial Services (formerly Partnering Plus). Thirteen Care and Support, Thirteen Property Development (formerly Optimus Homes), Thirteen Homes (formerly Portico Homes) and Thirteen Commercial Services (formerly Partnering Plus) and Thirteen Social Enterprises (formerly Vela Homes) are not registered providers of social housing.

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

	Service provided	Cost allocation basis	2017 £'000	2016 £'000
Thirteen Commercial Services (formerly Partnering Plus)	Management services	Staff time x hourly rate	6	6
Thirteen Care and Support	Management services	Assessment of service usage	317	432
			323	438

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

	Service provided	Cost allocation basis	2017 £'000	2016 £'000
Tees Valley Housing	Tenancy support	Agreed fixed fee	45	42
Erimus Housing	Funding of client service	As per agreement	-	33
Erimus Housing	Tenancy support	Recovery of actual costs	45	42
Housing Hartlepool	Tenancy support	Agreed fixed fee	45	58
Tristar Homes	Tenancy support	Agreed fixed fee	82	92
			217	267

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

	Service provided	Cost allocation basis	2017 £'000	2016 £'000
Tees Valley Housing	Leased properties	Percentage of rental income net of voids	244	280
Erimus Housing	Provision of client services	Recovery of actual costs	25	26
			269	306

18. Properties for sale

Group	2017 £'000	2016 £'000
Properties completed for sale	1,604	6,306
Properties in development for sale	4,795	3,781
	6,399	10,087

19. Stock

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Raw materials and consumables	-	198	-	198

20. Debtors

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charges receivable	10,130	10,501	-	-
Less: provision for bad and doubtful debts	(2,349)	(4,448)	-	-
Net rental debtors	7,781	6,053	-	-
Other tenant debtors	391	-	-	-
Less: provision for bad and doubtful debts	(375)	-	-	-
Sales ledger debtors	1,338	2,210	1,338	2,210
Less: provision for bad and doubtful debts	(524)	(719)	(524)	(719)
Capital grants receivable	-	-	-	-
Revenue grants receivable	21	34	-	-
Development debtors	20	8	-	-
VAT reclaimable	1,331	764	447	479
Loan to Whitby Network	12	12	-	-
Amounts owed by group undertakings	-	-	8,526	10,128
Trade and other debtors	728	633	57	14
Prepayments and accrued income	6,434	8,867	2,101	1,057
	17,157	17,862	11,945	13,169
Due after more than one year				
Prepayments and accrued income	-	25	-	25
Private landlord empty homes management	203	-	203	-
Loan to Whitby Network	31	44	-	-
	17,391	17,931	12,148	13,194

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.

21. Cash and cash equivalents

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Money market deposits	6,315	9,796	-	-
Deposit accounts	13,808	21,845	-	-
Leaseholders' trust account	251	250	-	-
Cash at bank and in hand	10,975	19,172	540	610
	31,349	51,063	540	610

22. Creditors: amounts falling due within one year

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Debt (note 27)	3,579	6,158	-	-
Rent and service charges received in advance	3,255	5,079	-	-
Social housing grant received in advance	6,638	6,743	-	-
Deferred capital grant	893	862	-	-
Recycled capital grant fund (note 25)	-	-	-	-
Disposals proceeds fund (note 26)	-	-	-	-
Development creditors	4,084	2,212	-	-
VAT payable	19	185	-	-
Corporation tax	-	1	-	-
Other taxation and social security	852	823	852	138
Other creditors	8,889	7,603	3,953	4,120
Big Lottery Fund grant	-	34	-	-
Restructuring costs	-	716	-	649
Accruals and deferred income	9,758	11,619	6,572	3,740
Amounts owed to group undertakings	-	-	604	4,671
	37,967	42,035	11,981	13,318

No income was received during the year from the Big Lottery Fund grant (2016: £217,883).The income is restricted to spend on the ' Know Your Money' project, a 4 year project which completed in January 2017.

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

Group	2017 £'000	2016 £'000
Debt (note 27)	286,020	329,200
Borrowing costs unamortised	(582)	(723)
Deferred capital grant	111,213	107,347
Recycled capital grant fund (note 25)	703	303
Disposals proceeds fund (note 26)	863	1,402
Other creditors	-	15
	398,217	437,544

24. Deferred capital grant

Group	2017 £'000	2016 £'000
At 1 April	108,209	102,812
Grant received in the year	5,258	6,719
Released to income in the year	(1,343)	(1,114)
Grant transferred from disposal proceeds fund	566	-
Adjustment	(81)	-
Released to the RCGF on disposal	(503)	(208)
At 31 March	112,106	108,209

	2017 £'000	2016 £'000
Amounts to be released within one year	893	862
Amounts to be released in more than one year	111,213	107,347
	112,106	108,209

25. Recycled capital grant fund

Group	2017 £'000	2016 £'000
Funds pertaining to activities within areas covered by the HCA:		
At 1 April	303	373
Inputs to the RCGF: Grants recycled	209	254
Outright sales from changes in tenure	191	-
Recycling of grant: New build	-	(324)
At 31 March	703	303
Amounts 3 years old or older	35	-

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

26. Disposal proceeds fund

Group	2017 £'000	2016 £'000
Funds pertaining to activities within areas covered by the HCA		
At 1 April	1,402	1,243
Inputs to DPF: Funds recycled	27	159
Transfer to deferred capital grant	(566)	-
At 31 March	863	1,402
Amounts 3 years old or older	734	387

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

27. Debt analysis

Group	2017 £'000	2016 £'000
Housing loans		
Debt profile		
Accrued interest	1,325	1,364
Bank and building society loans at fixed rates of interest	187,376	177,899
Bank and building society loans at variable rates of interest	100,898	156,095
	289,599	335,358

Terms of repayment and interest rates

The fixed rates of interest are between 4.6% and 11.77%.

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

Final instalments fall to be repaid in the period from 2019 to 2041.

Debt is repayable as follows:

	2017 £'000	2016 £'000
Within one year or on demand	3,579	6,158
One year or more but less than two years	11,318	10,807
Two years or more but less than five years	53,228	72,626
Five years or more	221,474	245,767
	289,599	335,358

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

As at 31 March 2017 the group had undrawn loan facilities of £91.6million (2016: £58.6million).

28. Non-equity share capital

Group	2017 £	2016 £
Shares of £1 each issued and fully paid		
At 1 April	12	12
Shares issued during the financial year	-	-
At 31 March	12	12

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

Minority interest in group companies	2017 £'000	2016 £'000
Minority interest in Thirteen Commercial Services Limited (formerly Partnering Plus Limited)	12	12

29. Pension provisions

The group participates in the following pension schemes:

The Social Housing Pension Scheme: a multi-employer defined benefit pension scheme,
The Teesside Pension Fund: a multi-employer defined benefit pension scheme,
The Pensions Trust Growth Plan: a multi-employer defined benefit pension scheme, and
Aegon: a defined contribution pension scheme.

The Pensions Trust - Social Housing Pension Scheme

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

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

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

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123million, liabilities of £4,446million and a deficit of £1,323million. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

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

Where the scheme is in deficit and where the 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.

29. Pension provisions

Social Housing Pension Scheme (continued)

	Group		Association	
	2017	2016	2017	2016
Present values of provision	£'000	£'000	£'000s	£'000s
Present value of provision	4,387	4,785	860	967

	Group		Association	
	2017	2016	2017	2016
Reconciliation of opening and closing provisions	£'000	£'000	£'000s	£'000s
Provision at start of year	4,785	3,803	967	836
Unwinding of the discount factor (interest expense)	92	68	18	15
Deficit contribution paid	(609)	(462)	(145)	(118)
Remeasurements - impact of any change in assumptions	119	(29)	20	(5)
Remeasurements - amendments to the contribution schedule	-	1,405	-	239
Provision at end of year	4,387	4,785	860	967

	Group		Association	
	2017	2016	2017	2016
Income and expenditure impact	£'000	£'000	£'000s	£'000s
Interest expense	92	68	18	15
Remeasurements - impact of any change in assumptions	119	(29)	20	(5)
Remeasurements - amendments to the contribution schedule	-	1,405	-	239
Contributions paid in respect of future service	1,008	920	620	333
Costs recognised in income and expenditure account	1,219	2,364	658	582

	Group		Association	
	2017	2016	2017	2016
	% per	% per	% per	% per
Assumptions	annum	annum	annum	annum
Rate of discount	1.33	2.06	1.33	2.06

29. Pension provisions

The Pensions Trust - The Growth Plan

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

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

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

The scheme is classified as a 'last-man standing arrangement'. Therefore the 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 at 30 September 2011. This actuarial valuation showed assets of £780million, liabilities of £928million and a deficit of £148million. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

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

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

Where the scheme is in deficit and where the 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.

29. Pension provisions

The Growth Plan (continued)

Group	2017 £'000	2016 £'000
Present values of provision		
Present value of provision	169	182

Group	2017 £'000	2016 £'000
Reconciliation of opening and closing provisions		
Provision at start of year	182	146
Unwinding of the discount factor (interest expense)	3	3
Deficit contribution paid	(20)	(17)
Remeasurements - impact of any change in assumptions	4	(3)
Remeasurements - amendments to the contribution schedule	-	53
Provision at end of year	169	182

Group	2017 £'000	2016 £'000
Income and expenditure impact		
Interest expense	3	3
Remeasurements - impact of any change in assumptions	4	(3)
Remeasurements - amendments to the contribution schedule	-	53
Contributions paid in respect of future service	7	2
Costs recognised in income and expenditure account	14	55

	2017 % per annum	2016 % per annum	2017 % per annum	2016 % per annum
Assumptions				
Rate of discount	1.33	2.06	1.33	2.06

29. Pension provisions

Teesside Pension Fund

The Teesside Pension Fund is a multi-employer scheme with more than one participating employer, which is administered by Middlesbrough Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2016.

The employer's contributions to the Teesside Pension Fund by the group for the year ended 31 March 2017 were £3.2million (2016: £3.2million), made up as follows:

Employer	Contributions 2017 £'000	Contributions 2016 £'000	Contribution rate 2017 %	Contribution rate 2016 %
Thirteen Housing Group Limited	255	201	17.9	17.9
Erimus Housing	880	826	15.3	15.3
Housing Hartlepool	856	870	14.8	14.8
Tristar Homes	1,211	1,264	14.8	14.8

	31 March 2017 % per annum	31 March 2016 % per annum
Discount rate	2.6	3.4
RPI price inflation	3.1	2.9
CPI price inflation	2.0	1.8
Pension increases	2.0	1.8
Pension accounts revaluation rate	2.0	1.8
Salary increases	3.0	3.3

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 2017 No. of years	31 March 2016 No. of years
Aged 65 at accounting date	Males	22.8	23.1
	Females	24.9	25.6
Aged 45 at accounting date	Males	25.0	25.3
	Females	27.2	28.0

29. Pension provisions

Teesside Pension Fund (continued)

Breakdown of amounts recognised in profit and loss

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current service cost	3,908	4,507	345	332
Past service cost	321	28	20	-
Curtailments	-	76	-	-
Amounts charged to operating costs	4,229	4,611	365	332

	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Net interest cost	1,343	1,272	40	42
Amounts charged to other finance costs	1,343	1,272	40	42

Analysis of amounts recognised in other comprehensive income

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Total actuarial losses	3,227	3,730	(525)	317
Changes in assumptions underlying the present value of scheme liabilities	-	-	-	-
	3,227	3,730	(525)	317
Cumulative actuarial loss	(29,880)	(33,107)	444	969

Reconciliation of funded status to balance sheet

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Present value of scheme liabilities	(200,395)	(169,808)	(15,857)	(11,866)
Fair value of assets	160,943	129,499	13,903	10,587
Net liability recognised in the balance sheet	(39,452)	(40,309)	(1,954)	(1,279)

29. Pension provisions

Teesside Pension Fund (continued)

Changes to the present value of the defined benefit obligation

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Opening scheme liabilities	(169,808)	(172,195)	(11,866)	(12,064)
Current service cost	(3,908)	(4,507)	(345)	(332)
Interest cost	(5,823)	(5,480)	(414)	(385)
Actuarial (losses)/gains on scheme liabilities	(24,229)	10,560	(3,302)	873
Benefits paid	4,817	3,109	209	142
Contributions by participants	(1,123)	(1,191)	(119)	(100)
Past service cost	(321)	(28)	(20)	-
Curtailments	-	(76)	-	-
Closing defined benefit obligation	(200,395)	(169,808)	(15,857)	(11,866)

Changes to the fair value of assets

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Opening fair value of Scheme assets	129,499	130,878	10,587	10,641
Interest income on assets	4,480	4,208	374	343
Remeasurement gains/(losses) on assets	27,456	(6,830)	2,777	(556)
Contributions by employer	3,202	3,161	255	201
Contributions by participants	1,123	1,191	119	100
Benefits paid	(4,817)	(3,109)	(209)	(142)
Closing fair value of scheme assets	160,943	129,499	13,903	10,587

Aegon

The Aegon pension scheme is a defined contribution scheme available to employees of Thirteen Care and Support. The cost of the scheme is equal to the employer contributions payable in the year. During the year Thirteen Care and Support contributed £201,161 (2016: £145,227) to the scheme.

30. Capital commitments

Group	2017 £'000	2016 £'000
Capital expenditure commitments were as follows:		
Expenditure contracted for, but not provided for in the financial statements	48,094	52,738
Expenditure authorised by the board, but not contracted	148,855	30,920
	196,949	83,658

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

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

31. Contingent liabilities

The Pensions Trust

Group

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

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

In addition the group, participates in the Pension Trust's Growth Plan. The estimated employer debt on withdrawal from this scheme as notified by the Pensions Trust based on figures provided at 30 September 2016 was £0.5million. No provision has been made in the financial statements for this amount as the possibility of the liability arising is considered to be remote.

ARCC Consortium

Group

In February 2015, the group established the Achieving Real Change in the Community (ARCC) consortium with five partners, including three local authorities, to deliver the probation service in the Durham Tees Valley area. Should the consortium fail, the group is liable for up to £1million to cover running costs. Performance reports are routinely provided to the board and indications are the loan arrangement will not be required and performance targets are being achieved. No provision has been made in the financial statements.

32. Net cash generated from operating activities

Group	2017 £'000	2016 £'000
Surplus for the year	37,520	18,605
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	20,757	19,603
Impairment of tangible fixed assets	(259)	-
Amortisation of social housing grant	1,109	1,114
Deficit/(surplus) on sale of housing properties	122	(216)
Pension costs less contributions payable	1,027	1,450
Pension finance costs	1,439	1,343
Pension deficit payments	(630)	(479)
Accelerated depreciation on disposal	2,372	857
Carrying amount of tangible fixed asset disposals	3,976	3,392
Decrease/(Increase) in properties for outright sale	3,566	(2,682)
Decrease in stock	198	11
Decrease/(increase) in debtors	552	(2,783)
Decrease in creditors	(5,622)	(4,197)
Adjustments for investing or financing activities:		
Proceeds from sale of tangible fixed assets	(5,348)	(3,975)
Interest payable	12,140	12,111
Interest receivable	(176)	(311)
Net cash generated from operating activities	72,743	43,843

33. Operating leases

Operating leases where the group and association is the lessee

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

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Land and buildings - housing properties				
Payments due:				
Not later than one year	259	308	-	-
Later than one year and not later than five years	830	923	-	-
Later than five years	675	1,010	-	-
	1,764	2,241	-	-
Land and buildings - other				
Payments due:				
Not later than one year	128	139	52	6
Later than one year and not later than five years	212	121	76	9
Later than five years	59	644	-	-
	399	904	128	15
Office and other equipment				
Payments due:				
Not later than one year	94	248	88	248
Later than one year and not later than five years	163	420	156	420
Later than five years	17	-	17	-
	274	668	261	668
Motor vehicles				
Payments due:				
Not later than one year	524	684	524	684
Later than one year and not later than five years	-	20	-	20
	524	704	524	704

33. Operating leases

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

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

Other equipment leases relate to laundry equipment and grounds maintenance equipment. There are no purchase options. The final lease expires in February 2020.

Office equipment leases relate to photocopiers and franking machines. There are no purchase options. The final lease expires in December 2022.

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

Operating leases where the group and association is the lessor

Housing properties

The group leases two properties to specialist housing providers.

The lease for Ann Charlton Lodge runs until December 2021. The lease payments are adjustable annually based on actual expenditure incurred. There are no purchase options.

The lease for 367 Thornaby Road runs until September 2030. The lease provides for an annual RPI based increase. There are no purchase options.

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

Group	2017 £'000	2016 £'000
Land and buildings - housing properties		
Payments due:		
Not later than one year	109	108
Later than one year and not later than five years	443	449
Later than five years	713	817
	1,265	1,374

The group also has in place a number management agreements that include the right to occupy specific housing properties. These agreements have no defined term and are cancellable with 12 months' notice.

33. Operating leases

Commercial property leases

The group owns 74 retail units that it leases to third parties on non-cancellable leases. Rents are set in accordance with market conditions. The latest expiry date is February 2028. Future minimum rentals receivable under these leases are as follows:

	2017 £'000	2016 £'000
Land and buildings - other		
Payments due:		
Not later than one year	242	328
Later than one year and not later than five years	389	464
Later than five years	123	150
	754	942

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

Social housing - general needs, supported housing and housing for older people

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

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

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

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

The significant leasing arrangements in place are:

Assured tenancies

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

33. Operating leases

Assured shorthold tenancies

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

Secure tenancies

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

Fixed term tenancies

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

Equitable tenancy

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

License

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

Starter tenancy

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

As at 31 March 2017 there were 32,707 (2016: 32,995) social housing properties in management under one of the arrangements described above.

33. Operating leases

Social housing – shared ownership leases

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

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

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

As at 31 March 2017 there were 589 (2016: 560) shared ownership leases in place.

Leasehold properties

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

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

As at 31 March 2017 there were 748 (2016: 738) leases in place.

Leasehold schemes for the elderly (LSE)

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

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

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

As at 31 March 2017 there were 146 (2016: 146) LSE leases in place.

Student accommodation

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

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

Garages

The group owns 3,277 (2016: 3,320) garages that it leases to third parties on a cancellable basis.

34. Related party transactions

Group

There were four tenant board members on the group's boards during the financial year, Pamela McIvor, Glen Rudd (to 2 September 2016), Denise Ross and Jim Scollen Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. Aggregate rent charges relating to tenant board members were £16,829 (2016: £44,864), payments received were £16,827 (2016: £33,121) and aggregate amounts owing at 31 March 2017 were £515 (2016: £1,445).

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

The group participates in four pension schemes, the Social Housing Pension Scheme: a multi-employer defined benefit pension scheme, the Teesside Pension Fund: a multi-employer defined benefit pension scheme, the Pensions Trust Growth Plan: a multi-employer defined benefit pension scheme, and Aegon: a defined contribution pension scheme. Transactions between the Group and the pension schemes are detailed in note 29. The balances included in creditors for the Pensions Trust is £150,488 (2016: £133,196), the Teesside Pension Fund is £302,987 (2016: £333,845) and Aegon is £9,651 (2016 £14,343).

Transactions with Middlesbrough Borough Council

There were two members of Middlesbrough Borough Council (MBC) on the group and association boards during the financial year, Tracey Harvey and Mick Thompson. All transactions with Middlesbrough Borough Council were on an arms-length basis. Transactions during the financial year were as follows:

	2017 £'000	2016 £'000
Purchases	763	415
Cash collected on MBC's behalf	6	136
Sales	1,093	1,571
Balance included in debtors at 31 March	14	122
Balance included in creditors at 31 March	17	116

34. Related party transactions

Transactions with Redcar and Cleveland Borough Council

Redcar and Cleveland Borough Council was not a related party during the financial year therefore there is no requirement to disclose transactions for 2017. Transactions for 2016 are disclosed for comparative purposes.

	2017 £'000	2016 £'000
Purchases	-	21
Sales	-	443
Balance included in debtors at 31 March	-	-
Balance included in creditors at 31 March	-	11

Transactions with Stockton-on-Tees Borough Council

There were two members of Stockton-on-Tees Borough Council (SBC) on the group and association boards during the financial year, Steve Nelson and Paul Rowling. All transactions with Stockton-on-Tees Borough Council were on an arms-length basis. Transactions during the financial year were as follows:

	2017 £'000	2016 £'000
Purchases	2,868	3,803
VAT Shelter arrangement	988	1,299
Right-to-Buy receipts	281	269
Cash collected on SBC's behalf	-	140
Sales	577	698
Cash collected by SBC on the group's behalf	4,829	6,129
Balance included in debtors at 31 March	167	257
Balance included in creditors at 31 March	115	590

34. Related party transactions

Transactions with Hartlepool Borough Council

There were four members of Hartlepool Borough Council (HBC) on the group and association boards during the financial year, Robin Cook (to 26 May 2016), Paul Beck (to 26 May 2016), Stephen Akers-Belcher (from 26 May 2016) and Marjorie James (from 26 May 2016). All transactions with Hartlepool Borough Council were on an arms-length basis. Transactions during the financial year were as follows:

	2017 £'000	2016 £'000
Purchases	655	750
Cash collected on behalf of HBC	-	18
Right-to-Buy receipts	61	190
Sales	224	316
Balance included in debtors at 31 March	3	93
Balance included in creditors at 31 March	26	89

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

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

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

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

At the point of entering the agreement, the estimated value of the improvements for Erimus Housing was £185million. As at the 31 March 2017 these works are substantially complete, although the agreement allows Erimus Housing to continue to reclaim VAT on qualifying work within the agreed recovery period.

At the point of entering the agreement, the estimated value of the improvements for Housing Hartlepool was £86million. As at the 31 March 2017 these works are substantially complete, although the agreement allows Housing Hartlepool to continue to reclaim VAT on qualifying work within the agreed recovery period.

At the point of entering the agreement, the estimated value of the improvements for Tristar Homes was £217million. As at the 31 March 2017 the value of invoiced work on which VAT had been reclaimed was £95million (2016: £86million).

36. Joint ventures

Group

During the year, Erimus Housing entered into a joint venture agreement with Middlesbrough Borough Council to improve the condition and sustainability of areas subject to challenging housing conditions by purchasing or leasing properties that have been unoccupied for lengthy periods or are situated in areas suffering from environmental and social decline. Under this agreement both Erimus Housing and Middlesbrough Borough Council have agreed to invest £0.8million each into an investment fund to enable the purchase and refurbishment of housing properties prior to releasing them on to the housing market for rent. The 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.

At the 31 March 2017, Erimus Housing had made payments of £0.2million (2016: £nil) in relation to the investment fund.

Erimus Housing is also party to a joint venture agreement with Middlesbrough Borough Council to redevelop the area known as Grove Hill in Middlesbrough. Under this agreement both Erimus Housing Limited and Middlesbrough Borough Council have agreed to invest £2.7million 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.

At the 31 March 2017, Erimus Housing had made payments totalling £2.3million (2016: £2.1million) in relation to the investment fund.

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

37. Financial assets and liabilities

	Group		Association	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Categories of financial assets and liabilities				
Financial assets that are debt instruments measured at amortised cost	48,740	68,994	12,688	13,804
Financial assets that are equity instruments measured at cost less impairment	1	1	-	-
Financial liabilities measured at amortised cost	(323,987)	(371,235)	(11,981)	(13,318)
	(275,246)	(302,240)	707	486

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 20 and 21.

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

Notes to the Financial Statements

38. Events after the reporting period

On 30 June 2017, Erimus Housing Limited, Housing Hartlepool, Tristar Homes Limited, Tees Valley Housing Limited and Thirteen Care and Support Limited transferred their engagements to Thirteen Housing Group Limited to effect the consolidation of the group into one landlord.

As part of the group consolidation on 30 June 2017 the ownership of Thirteen Property Development Limited (formerly Optimus Homes Limited) transferred from Erimus Housing Limited to Thirteen Housing Group Limited and the ownership of Thirteen Homes Limited (formerly Portico Homes Limited) and Thirteen Commercial Services (formerly Partnering Plus Limited) transferred from Tees Valley Housing Limited to Thirteen Housing Group Limited.

39. 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 HCA.

Thirteen Housing Group Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2017. 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.

www.thirteengroup.co.uk
ThirteenGroup
@Thirteen_Group
0300 111 1000