NORTH STAR

Creating homes, building futures

Annual Report and Financial Statements

Year ending 31st March 2024

Contents

Board Members, Executive Directors, Advisors and Bankers

Board
Anna Urbanowicz (Chair)
Claire Warren (Deputy Chair)
Graeme Allinson (Chair of Risk & Audit Committee)
Jason Ridley
David Lyall
Mark Thompson
David Walker
Simon Wake
Nicki Clark
Joanne Todd
Manisha Sharma (appointed 1/10/2023)

Chief Executive
Angela Lockwood (resigned 31/07/2024)
James Walder (appointed 01/08/2024)

Executive Directors
Emma Speight, Executive Director of Assets & Growth
James Walder, Executive Director of Finance & Business Support and Company Secretary (resigned 31/07/2024)
Adam Clark, Executive Director of Customers (resigned 31/12/2023)
Carole Richardson, Executive Director of Customers (appointed 01/05/2024)
Carole Richardson, Executive Director of People & Culture (resigned 30/04/2024)

Registered office
Endeavour House
St. Mark's Court
Thornaby
Stockton-on-Tees
TS17 6QN

Registered numbers
Co-operative & Community Benefit Societies Act 2014 – registered number 21256R
Regulator of Social Housing registered number LH0084

External Auditor
Beever and Struthers
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1 George leigh Street
M4 5DL

Principal Bankers
Lloyds Banking Group Plc.
Corporate Markets
Lloyds Banking Group
25 Gresham Street
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Report of the Board

Results for the year

The Board presents its Annual Report and the audited Financial Statements for the year ended 31st March 2024.

Organisation Structure and Activities

North Star Housing Group (the Organisation) is a charitable, asset owning Housing Association (HA) and a registered society under the Co-operative and Community Benefit Societies Act 2014.

The principal activity of the Organisation is the provision of affordable rented accommodation for people with a diversity of needs and aspirations.

Review of the Year

Once again, we have maintained our financial strength amidst external volatility and uncertainty. North Star has continued to work hard to support existing and future customers thrive against a backdrop of a very challenging environment. The housing crisis remains, with huge demands on housing providers to deliver new homes. Continued cost increases and community stress because of high levels of deprivation, new Consumer Standards, a more pro-active Housing Ombudsman and financial issues for Local Authorities have all impacted on the business during the year. With challenge comes opportunity and our commitment to build more homes, to deliver high quality services and stock investment and to do all we can to support communities is constant, and to this end we are very proud of our achievements. We are benefitting from the opportunities of Artificial Intelligence (AI), new partnerships, learning from all sectors, experimenting, and continued strong external relationships.

Ensuring we are financially strong is always balanced with the need to meet increasing demands and to deliver more in an environment that is dynamic, volatile, and uncertain. Never has value for money been so critical in supporting our ambitions and priorities. Our surplus and operating margin remain strong which is testament to the robustness of the business. Our values, social purpose and people approach have never been more needed and the work we have done to create high levels of trust through strong relationships continues to support our resilience.

We have built on the successful Regulator of Social Housing (RSH) In Depth Assessment of 2023, where we maintained our top regulatory judgement. Continued activity in this area includes early understanding on emergent Consumer Standards, adoption of the Housing Ombudsman Code and continued development of Governance through robust independent effectiveness reviews and appraisals, strong fiduciary oversight blended with generative activity.

Building on previous years, we are pleased to report another successful year for North Star. A culture of strong financial management has provided resilience in the operating model and enabled us to withstand repeated external shocks. In addition, we have had an even stronger focus on the business and financial plans, budgets, risk management and assurance to ensure we can deliver our ambitions and promises. Our commitment to customers remains a priority, not only delivering high quality services but regular and planned stock investment, decarbonisation work and building new homes. We have targeted support in communities and to individuals, who have never needed it so much. North Star has worked to balance these priorities, by listening to customers and understanding what matters.

The Organisation achieved an operating surplus for the year of £5,644k (2023: £5,242k) and an overall net surplus for the year of £2,700k (2023: £2,554k). This success is despite competing priorities, increased costs, and a commitment to deliver our ambitious three-year strategy: Leading & Growing to 2026. We are pleased with these results as it enables us to continue moving forward at pace. It also aligns with our Surplus for Purpose Statement capturing our intention to ensure all surpluses are invested back into the business, and ensures North Star remains strong for the future.

We have very good external connections, partnerships, and links, which we highly value as we know strong relationships and good collaboration are critical to the success of the business. Our positive local and national reputation holds strong but is never taken for granted; we value all we achieve.

The operating area remains challenging because of the requirement for regeneration activity with limited available funding, acute deprivation, an above-average ageing population and a complex political environment. All these issues require creative solutions, and we are committed to do all we can to alleviate some of the housing pressures and to be a partner of choice. Proposed Devolution across the Northeast in 2024, provides an opportunity to deliver more, collaborate further and take advantage of available resources.

We continue to benefit from our well-timed debt refinancing and organisation consolidation project carried out a few years ago. The introduction of a new £50m loan facility in February 2024 has secured our investment capacity well into the future. Linked to our drive for efficiency, we have been able to deliver all we planned with strong year-end results across operations.

Our performance across all main KPIs is benchmarked through HouseMark and have remained solid despite external challenges.

The Value for Money section contains further details about our 12-month performance. Our core strategic objectives for 2023/24 were customers and communities, growth, assets and the green agenda, technology, people and culture, value for money and governance. Progress against some of the main objectives is detailed underneath:

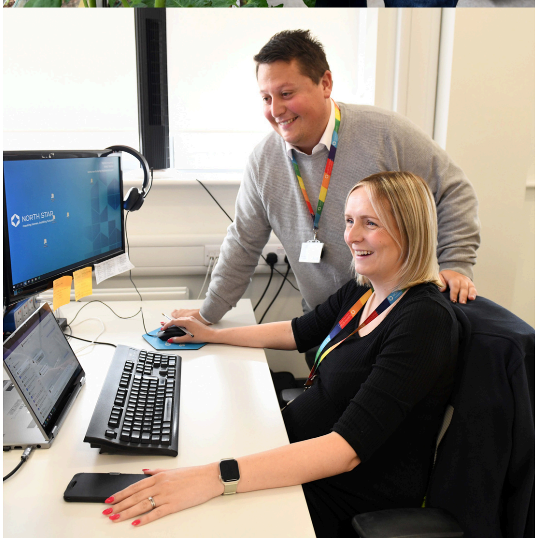
Objective	Outturn
Review the ongoing viability of the shared living model for adults with a learning disability	An options appraisal tool has been developed and used to assess the viability of the Simonside Service. The service required some remodelling but remains viable.
Reduce carbon emissions from North Star business operations	Photovoltaic panels were installed on Endeavour House to reduce North Star's carbon footprint.
Develop new homes	We developed 83 new homes in 2023/24.
To improve the energy performance of our property assets	We invested in 102 properties to move them to EPC 'C'
Monitor the impact of investment in staff	IIP Platinum has been awarded to 2026.
Further develop apprentices within the organisation.	Three apprenticeships were supported. Two applied for permanent jobs within North Star and were successful.
Retain G1/V1 rating	G1/V1 rating confirmed by the Regulator in November 2023
To enhance our approach to innovation	A project is underway with York and Warwick University on damp sensors and the ethics of sensors. Following an innovation workshop with staff there were three sprint projects – use of robots, Amazon smart key and preventative boiler repairs.
To deliver a new Housing Management system	Complaints, Compliance and Housing modules are all live. Final modules – repairs, voids, and a customer portal are scheduled for first half of 2024/25 financial year.
To implement an improved data management system for the Customer Service Team	New software went live in June 2024. The system provides more functionality for the Team Manager and the wider business.

Digital Process

The drive to improve technology has continued and is delivering efficiencies and improved services. Our development of digital systems, data collection and the use of Power BI is well developed, and the implementation of early modules for our new Microsoft Dynamics Housing Management system has been rolled out successfully with plans in place for its completion. We are impressed with the outcome and impact of the new system and its use of AI leading technology to be more reliable, accurate and allow speedier data monitoring.A strong focus remains on cyber security which is a serious risk to all businesses with regular testing, upgrades and learning from those affected.

Customer Insight, Satisfaction and Involvement

Involvement is well embedded in the organisation using multi-channel methods to gain feedback and insight. Previously, we piloted new customer involvement initiatives to involve tenants even further in strategic decision making and this has continued in its development and use. We also experimented with The Citizens Jury Model on decarbonisation and energy efficiency and a Commonplace consultation website to crowdsource tenants' feedback on issues. We continued our work with the Centre for Governance & Scrutiny to further build on customer engagement with links to strategic decision-making.



We now have 400 customers that state they want to be involved in ways that suit their needs. This includes challenging performance, policy consultation, task and finish groups and tenant scrutiny. New Consumer Standards has provided us with a renewed drive to build on our success and we plan to pilot ethnography and to review our existing methods with customers, so they are region-sharp and relevant.

Early planning for the regulatory Tenant Satisfaction Measures meant we were ready to start collecting data from April 2023. The measures were collected by an external specialist company providing independence and confidence.These measures will be published later in 2024 by the RSH. We are satisfied with our out-turn having achieved upper quartile of our peer group in all but two of the 12 measures. There is more to do, and we have plans to further improve.

A further expansion of our real time feedback system Rant & Rave has provided timely insight that is used daily to understand service quality and enable quick resolution of issues. Combined with the outcome of Tenant Satisfaction Measures and analysis of complaints, we are gaining good insight through enhanced data and connections. This is critical in enabling us to better understand the challenges, issues, and areas for improvement. Importantly, it enables us to provide services that customers really want and value.

We ended the year with customer satisfaction levels of 83.8% using our Rant & Rave data collection. Our UK customer satisfaction index score of 83.6 (May 2022) using the Institute of Customer Service (ICS) business benchmarking, places us as the highest-ranked Housing Association of the 50 that take part.

The appointment of a new repairs and maintenance contractor in 2022 caused some disruption in services which are now more controlled. This has required focused monitoring and collaboration. This is a critical customer service and contractor scrutiny remains in place, as well as real time feedback, early intervention on issues and reviews of data. Our data management has improved significantly over the last 12 months; it was an essential component of the shift to the new Microsoft Dynamics system, and an acknowledged requirement for business efficiency. Plans are in place to continue to improve data collection and the analysis thereof to drive service improvements.

We continued to provide a significant fund to support tenants in crisis, through financial interventions, enabling support and using in-house skilled advice. Our well-resourced team not only provide advice on benefits, debt, and budgeting but they also work to assist customers to sustain tenancies which not only helps with homeless prevention but also reduces our empty property costs. The demand on this team continues supporting 792 tenants during 2023/24. Through this work we were pleased to bring an additional £757k of income for tenants.

Our partnership with regional housing associations through the Housing Employment Northeast Network (HENNE) project has further grown. This project links employment to people living in social housing in a strategic and planned way through good knowledge, data, and relationships. During the year it was awarded £2.05m of funding through the national Shared Prosperity Fund with Tees Valley Combined Authority as the lead partner. This will deliver employment support across the sub-region.

There is more detail on customer satisfaction across a range of services in the Value for Money report (page 10).

Delivering New Homes

We provided 83 new homes, with a strong pipeline for 2024/25 despite the continuing challenges with the River Tees Nutrient Neutrality issue that has prevented many local schemes being developed. We have experienced a significant increase in costs across both new build and those purchased through planning gain (S106) which has required us to continually review our development appraisal model, affordability, costs of borrowing and business plan capacity which is likely to continue. We are very pleased to have provided much needed accommodation through the Afghan resettlement programme and the Rough Sleepers Initiative, in addition to family housing. We partnered with a Community Land Trust in North Yorkshire to provide homes for local people in a very high demand area. This is an example of local partnerships working closely to make a difference.

Investing in homes and decarbonisation

The investment of £5,518k to improve existing properties has been well received by tenants and we provided decarbonisation work to 102 properties, funded in part through the Government's Social Housing Decarbonisation Fund (SHDF). We are delivering a successful consortia SHDF bid on further works that was coordinated strategically by the Tees Valley Combined Authority.

Working with a consultant we are developing an improved sustainability model to help our investment decision-making. This is useful in low value, challenging areas where sustainability is questionable. The cost of achieving EPC level C by 2028, which is two years earlier than government requires, and a significant investment towards the net zero 2050 government targets are included in the business plan.

Equality, Diversity and Inclusion

Our commitment to equality, diversity and inclusion was reinforced by stretching targets for the diversity of the workforce and housing allocations by ethnicity. We know there is more work to be done and in 2024 our targets will continue to be ambitious, our data will be stronger, and our intelligence and knowledge improved. The two-year Board trainee programme completed in 2023/24. This was developed to attract younger people and those from an ethnic minority background onto Boards to assist with identified under-representation. This innovative collaborative programme funded 12 people from four housing associations. North Star funded four of these places with all four of North Star's trainees successfully completing the programme. This has resulted in a trainee being appointed to the North Star Board. We will continue developing approaches to ensure diversity of thought is brought into the Board and the wider organisation.

Future Developments

The Leading & Growing three-year strategy has directed business priorities during the year. The strategy was developed working with tenants, staff and Board members providing real relevance, ownership and understanding across the organisation. This co-created and collaborative vision was carefully designed by all involved to create a balance of ambition and strength. In an anonymous ballot, 99% of staff, Board and tenants supported the strategy and in doing so, provided a very strong mandate to deliver its priorities. This relatively unique approach to process, design and outcome is leading to high performance and effective delivery of priorities. It will also keep North Star strong well into the future; everyone knows and understands their role and we have collective ambition, and mutually agreed outcomes. The first-year delivery is testament to that, where much has been achieved.

The main ambitions to continue to build new homes, including those for people with support needs, to get even closer to communities and provide stronger connections to employment and training opportunities are all in planning. Our approach will ensure voices are heard at a strategic level through leading-edge connections and engagement, to deliver all our promises on decarbonisation and stock investment and to use data more creatively to improve services. In addition, we will have more diversity across North Star, we will develop a more flexible and fluid workforce through innovative recruitment and retention and our advanced technology will support and enable the business to grow.

Corporate Governance

In 2023 the RSH carried out its planned In-Depth Assessment of North Star. This rigorous and robust process involving document reviews, observations at Board meetings, interviews with key individuals and an assessment of regulatory returns, resulted in us retaining our top judgements of G1 for governance and V1 for viability.

We fully comply with all the RSH Regulatory Standards, and the National Housing Federation (NHF) Code of Governance 2020. We have signed up to the NHF Code of Conduct for everyone across the business and we have adopted the Housing Ombudsman Code. We annually self-assess against these, identifying areas to strengthen. We have also adopted the NHF Mergers, Organisation Structures and Partnerships Code, which is voluntary and useful when faced with options. Enhancing this is a revised Merger Strategy that is reviewed and regularly approved by the Board. This demonstrated there was no imperative to merge, but the organisation would consider others joining North Star where value is added for both parties.

During the year the Board fully reviewed its risk appetite and carried out an extensive effectiveness review, including a skills assessment through a rigorous individual and collective appraisal process. The recommendations from this and the feedback from the In-Depth Assessment are detailed in the well monitored Corporate Plan. This ensures Board is progressive, constantly learning and moving at a pace that fits with the current requirements.

The organisation has an effective risk and business planning framework which includes:

- A three lines of defence risk mapping process, with clear segregation of oversight between Risk & Audit Committee (RAC) and Board, regular deep dives of a strategic risk area and detailed discussions on emerging risks, along with oversight of the operational risk register. Risk is embedded across the business, not only through well-managed frameworks and systems but also through dialogue and discussion.

- The business planning process is well established and is the cornerstone to all decision-making. With the support of external consultants, the process is validated at all levels to ensure external scrutiny, challenge and intelligence are embedded.

- Robust stress testing is carried out at least annually, against identified strategic risks and combinations of risks across a range of scenarios with and without mitigations. The Business Plan is agreed by Board annually and reviewed bi-annually as a minimum. The current Plan was fully stress tested and agreed in April 2024. Board understands the cause of major failure in the Plan which would be significant unplanned costs with no mitigations, or the impact of a rent decrease on a scale never experienced.

- We maintain accurate and up to date records of our assets and liabilities and use the records frequently.

- The annual Internal Audit Plan is approved by Risk and Audit Committee. This provides oversight to key aspects of the business and can focus on emerging issues. There is always at least one area of health and safety included in the Plan.

Board succession is well planned through regular reviews of terms of office, with adherence to the NHF Code of Governance on maximum terms served.The new NHF Code reduced terms for Board members to a maximum of two three-year terms. Because of this change, transitionary arrangements were required to ensure minimum disruption to succession planning. In 2021, the Board agreed to extend the current Chair's term beyond the maximum six years which would be reached in 2023. The Board's decision has seen for an extension of the Chair's term for a further 3 years to 2026 which is reviewed annually through the appraisal process.

As well as a strong fiduciary focus, the Board values its generative approach, that is brought not only at Board meetings but also at regular residentials that are externally facilitated. This also enables strong relationships to develop to enable Board to manage the complexity and changing requirements of its role. The Board has developed a set of Guiding Principles that details how it wants to operate and a revised purpose. Board members are committed to learning and development and attend a wide range of external seminars and training events, complemented by planned internal briefings and overviews. Recently, Board strengthened its commitment to culture through the development of the "Four Pillars" setting out its importance in some detail. The Four Pillars are Trust, Relationship, Collaboration and Influence & Inclusion.

The role of its Remuneration and Employment Conditions Committee was reviewed and its role enhanced to include oversight of Board succession. This ensures we plan early for known vacancies and recruit effectively.

Employees

The organisation highly values its employees and their continued health and well-being. A cultural change process that has led to the organisation working with high levels of trust and accountability has been very successful, as evidenced in our business success and achievement of the Investors in People Platinum (IiP) accreditation in 2023. Our people focus and relationships set us apart from many other housing providers and help to keep North Star strong. In the reaccreditation survey, 93% of staff responded with 100% stating that North Star is a great place to work, 100% feel trusted and trust the leaders.

Hybrid working is now part of how we operate which meets the needs of both the business and people employed. This not only protects the relational culture, but also provides more flexibility, fluidity and builds further on trust. It is a successful model that is regularly reviewed with staff and as new requirements emerge, we are well-placed to adapt. The office remains an important hub that is well used and valued.

Chief Executive

After 15 years as CEO, Angela Lockwood decided to step down from her role and provided notice of her intended departure later in 2024. A working group of Board members have overseen a robust process in respect of the appointment of a new CEO which is a critical role for the organisation. In the year that celebrates the organisation's 50th anniversary, James Walder was appointed as the new CEO effective from the 1st August 2024. James is only the fourth CEO in the organisation's history. James is committed to continuing to drive the success and growth of North Star and importantly steward the culture, which we believe is our main differentiator.

Going Concern

The organisation's business activities, together with the factors likely to affect its future development, performance and position are set out in this report and the Financial Statements.

The organisation meets its day to day working capital requirements through the current account, which was cash positive throughout the year. The organisation meets its development programme requirements through a combination of grant and debt funding. Note 23 of the Financial Statements highlights the current level of debt and repayment terms.

The organisation's forecasts and projections show that it should be able to continue to operate within the level of its current facilities and no matters have been drawn to its attention to suggest that future funding may not be forthcoming on acceptable terms.

Our net current liability position as at the 31st March 2024 was expected and is not considered to be a going concern issue. The net liability position was a result of reduced cash balances held at the year-end with undrawn secured loans, of which there were £42m (as at 31st March 2024), only being drawn when necessary for effective cashflow management.

The organisation's business plan that was approved by Board in April 2024 sets out the financial plans for the next 30 years and includes a range of stress tests to give the Board additional assurance over the strength of these plans.

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the organisation continues to adopt the going concern basis in preparing these Financial Statements.

Value for Money

Current Context

The social housing sector faces unprecedented challenge with increased demand for services, growing regulation, and high costs. Driving Value for Money (VFM) in the business remains critical as we look to preserve the financial resilience of North Star against the backdrop of a challenging UK economy. Interest rates have been at a sixteen-year high, and whilst inflation has declined over the last 18 months, it has remained higher than the Bank of England's (BoE) 2% target for all of the last financial year.

We are acutely aware this not only impacts ourselves but also our customers, who are continuing to feel the effects of the cost-of-living crisis driven by a range of external factors. We are conscious that the impact of the economic environment we live in has a disproportionate impact on key areas of our geography, further affecting low-income households who are already exposed to poverty and deprivation. It remains critical that North Star can deliver VFM, so we are able to invest in our assets, our communities and the services we deliver.

Stubborn inflation, most notably within the construction industry, has had a detrimental impact on the finances of North Star. During 2023/24, we have successfully managed cost pressures and inflationary increases across the business. In recent years, the scrutiny of and requirements from the sector has grown. It is necessary we are increasingly efficient with the resources available to us as we look to deliver more outcomes to meet stakeholder expectation. Similar to 2022/23, the dynamic of VFM remains shifted from previously delivering cost savings (which remains important) to one of more managing and mitigating cost increases. We need to be proactive in addressing these challenges to ensure that we remain financially resilient whilst we continue to operate in an increasingly uncertain world.

We have provided a wide range of information on VFM covering costs, performance, and outcomes. There is data showing trends within North Star and comparing the organisation with our peers. We have also highlighted areas of strong performance and areas of challenge with actions to improve. The report largely provides a retrospective view on performance. We have detailed how we compare to peers on published data available up to March 2023.

Our Approach

The Board approved the Value for Money (VFM) strategy in July 2021.

VFM is a constant for North Star. It is about doing more with our resources so that we can achieve our corporate objectives. By optimising VFM throughout the organisation, we release additional resources to invest in services to tenants, maintain our existing homes and increase the supply of new properties.

Delivering this is part of an integrated and embedded approach, rather than something that is separate or an annual task that must be completed. It is a critical business tool. VFM at North Star is not just about reducing costs. Quality and cost are both important, as is the relationship between investment and performance, and these form the basis of our measurement and monitoring.

In summary, what VFM means to us includes:

- Economy, efficiencies, and cost savings.
- Effectiveness and enhanced quality for tenants.
- Investment in new housing and existing homes.
- Added social value.

Our comprehensive approach is not new, but it has been progressively honed over the years. Our focus on continuous improvement has enabled us to develop and invest in keeping North Star strong.

The Regulator of Social Housing (RSH) has specific expectations of housing associations in relation to VFM which are set out in the April 2018 VFM Standard. Our VFM strategy enables us to express how we achieve these RSH expectations. During 2024/25 we are planning to review our strategy to ensure it reflects areas of best practice across the sector.

VFM is embedded in the seven themes in the L&G to 2026 vision: **Customers and Communities, Growth, Assets & The Green Agenda, Technology, People and Culture, Value for Money & Governance.** The detailed vision can be viewed here.

Our board, customers and staff all have critical roles in the delivery of VFM. Board approved the strategy and lead and drive VFM across the business. The insight, experience and challenge of our customers supports North Star to achieve its value for money objectives. Staff have led on various VFM approaches and initiatives embedding VFM in a number of ways including developing business cases, strong financial management and driving efficiencies.

VFM Activity During 2023/24

Overall financial performance of North Star

£'000	2020	2021	2022	2023	2024
	Actual	Actual	Actual	Actual	Draft
Revenue	20,381	20,740	21,327	22,381	24,649
Operating expenditure	(14,809)	(14,573)	(15,209)	(17,254)	(19,005)
Operating surplus	5,572	6,167	6,118	5,127	5,644
Operating margin (%)*	27.3%	29.7%	28.7%	22.9%	22.9%
Amortisation of goodwill	(31)	(32)	(32)	(32)	(32)
FA surplus	172	50	32	115	0
Net interest	(3,004)	(2,554)	(2,658)	(2,656)	(2,912)
Net surplus	2,709	3,631	3,460	2,554	2,700
Net margin (%)	13.3%	17.5%	16.2%	11.4%	11.0%

The table excludes exceptional items relating to the office refurbishment in 2018/19 and the refinancing project in 2020/21.

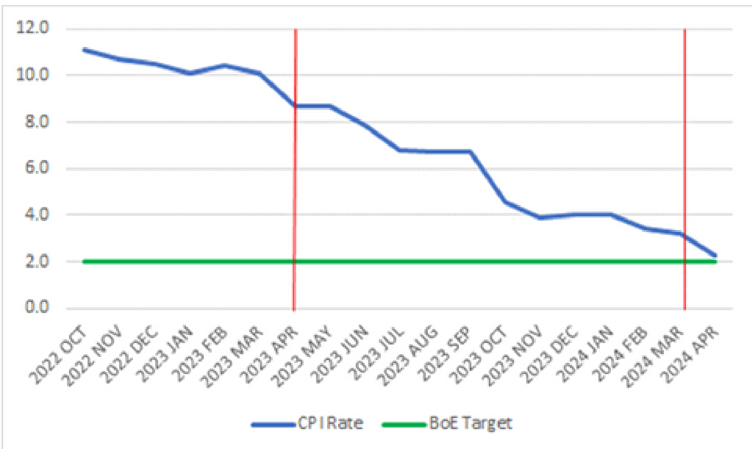
Our operating margin has averaged just under 27% over the last five financial years, however the metric has been subject to cost pressure during the last 24 months.

Faced with inflation at a 40-year high, in January 2023 Board approved the application of a 7% rent increase in line with the Autumn 2022 statement from central government. Whilst benefitting from an increase to rental income in 2023/24, we have also seen a sustained increase within our operating costs, most notably within property maintenance. Demand for our repairs service continues to be high and the condition of properties being returned to us, are often requiring a broader scope of works prior to being relet. We continue to swiftly address issues of damp, mould and condensation and take a rigorous approach to responding to the fire safety and compartmentation needs of our stock.

A further increase in our insurance premiums, as well as additional costs incurred to shorten the cycle of our stock condition surveys, have all contributed to an eroding of the benefit generated by additional revenues. Despite sustained economic pressures, we are pleased to have sustained our operating margin over the last 12 months; and we continue to outperform the operating margin of our peers reported 12 months ago. More detail on our operating margin performance and comparison to the wider sector is explored further in this VFM statement.

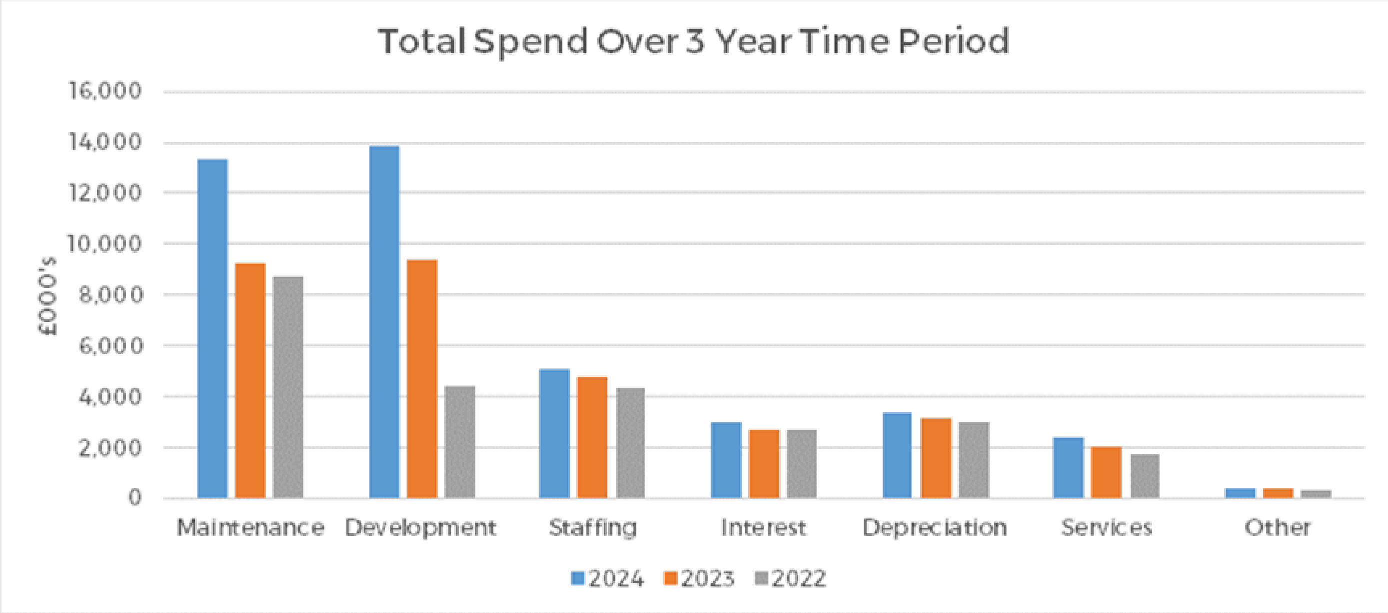
As referenced above, Board approved rent increases of 7% for General Needs properties and 11.1% for Supported Housing units to take effect from 1st April 2023. As shown in the graph below, inflation has steadily declined from its peak of 11.1% in October 2022. However, throughout 2023/24 (marked by vertical red lines) inflation has remained significantly above the BoE's target of 2%. This has impacted our cost base during the year, from which we have seen costs increasing at a similar rate to that of our income.

UK CPI Inflation Rate – October 2022 to April 2024



A key focus of our approach to financial management is demonstrated in the 2024/25 budget, which aims to bolster our operating margin to preserve the financial resilience and strength of the organisation. The 2024/25 budget approved by Board is at an operating margin of 24.5%.

Total Spend Comparison – 2021/22 to 2023/24



The most significant changes between 2023 and 2024 are:

- An increase in overall spend of £9.7m, most of which (£4.5m) is attributable to a growth in spend on the development of new units. In 2023 we delivered 71 units and spent £9.4m; whereas in 2024 we delivered 83 new units incurring costs of £13.7m (net). The increase in cost is reflective of the aspiration outlined in our 3-year corporate strategy to deliver a minimum of 225 new homes between 2024 and 2026.

- An overall increased investment in maintenance costs of £4m, which has been caused by several factors outlined below.

- The value of capitalised major repairs has increased by £3m compared to 2022/23. Areas where we have seen additional costs are outlined below. Over the last 12 months we undertaken investment in 992 properties to improve the quality of our homes.

- We have spent over £700k carrying out works to upgrade and replace fire doors as well as some compartmentation works at our properties with a stay put evacuation policy.

- We have continued to see an increase in repair volumes during 2023/24 which have risen by 30% in the last three years. There have also been more specialist works carried out on areas such as roofing and to address drainage issues – the average cost for these repairs is almost three times that of a standard repair.

- Voids costs have increased by £362k compared to the 2022/23 financial year. Whilst the number of voids properties in each financial year has been broadly comparable, the condition in which void properties have been returned to us has deteriorated. This has meant the units have required a broader scope of works to be undertaken prior to relet, acting to increase cost in this area. A review is underway with the help of consultants to review our processes and cost base.

- We have spent an additional £140k to address issues of damp, mould and condensation (DMC) in our properties in comparison to last financial year. We have seen both the number of reported incidents and the average cost of the subsequent repair increasing. We have reviewed processes, reporting, inspections regimes, enhanced training for staff and provided advice for tenants. Continued vigilance in treating DMC issues remains a priority for us.

Performance against Targets

The actions and targets were set in the annual corporate plan for 2023/24 and the annual VFM report shared with Board in June 2023.

There were a total of 34 actions and more detail by exception on these actions can be viewed below:

- 24 actions have been completed
- 5 actions were partially completed or completed after 31 March 2024
- 5 actions were not completed - two actions were retired by Board during the year as we responded to emergent opportunity. Details of the remaining three are below:

VFM Theme	Action	Target	**2023/24 Outcome**
Efficiency	Improve satisfaction with how North Star handles complaints	Commission an independent review of complaint handling and implement the recommendations. Increase satisfaction levels from 55% to 70%	The target to increase levels of feedback to 70% has not been achieved. However, transactional customer satisfaction collated through Rant and Rave feedback has increased to 64.2% as at the year-end. Improving satisfaction levels in this area will continue to be a strategic priority.
Active Asset Managem ent	Homes to be co designed with customers	Establish a design review panel that includes customers	This has been delayed whilst we have considered various approaches. This will be carried forward as an objective for the 2024/25 year.
Efficiency	Review the Technical Services function	Undertake a wider review of the Technical Services function	Reviews of Property Services and Compliance have been completed. The review of the Assets and Development Teams will conclude during 2024/25.

Savings and Efficiencies

The delivery of £484k cashable savings was set out in the 2023/24 budget approved by Board in March 2023, with this value being partially achieved (£331k) during the year. There were savings of £168k made during the year from vacant roles and a further £116k from procurement savings. We also generated £47k in interest receivable as a result of effective management of cash surpluses during the year.

Similar to 2022/23 financial year, our ability to secure further cost savings remained restricted in the face of high inflation. In areas where we have achieved savings, this has allowed for reinvestment to facilitate new roles in Supported Housing and Property Services. The remaining element of saving have been utilised to reduce the impact of cost increase elsewhere in the business.

There have been improvements or changes made during the year, which may not directly impact or reduce costs but do support a more effective use of our resources. Some of the efficiencies introduced during the year are outlined below.

- Our new Compliance Module (within HMS Endeavour) introduced in October 2023 makes use of Artificial Intelligence to scan property compliance certificates. This has saved around 16 hours per week which has allowed the team to increase our focus upon difficult to access properties.

- Also delivered via HMS Endeavour, our new Complaints Module allows for certain aspects of our complaints process to be automated and ensures compliance with the Housing Ombudsman Complaint Handling Code. The module also allows for reports to be more readily produced and improves the customer experience for tenants who have submitted a complaint.

- Within our Customer Services Team, we have also introduced a new system (Charis) to speed up the process for making awards of compensation to customers in instances of service failure. This has freed up resource within both the Housing Management & Finance Teams.

- In June 2023 we introduced an e-learning platform (Polaris) for staff. The platform hosts and delivers training across a range of areas (H&S, lone-working, Cyber) and avoids involvement of third parties. Training can be accessed remotely and reflects our approach to digitisation and agile working.

- Continued rollout and use of SharePoint and Microsoft Teams in the business, complementing our approach to digitisation and improving ways of working for colleagues.

- We've also recently introduced a new mediation scheme for neighbour disputes to support the management of Anti-Social Behaviour (ASB) cases in our communities. It is anticipated the cost of the service will help reduce legal costs but also reduce demand upon staff time when involved in escalating cases.

Outcomes and Effectiveness

Community Investment and Generating Social Value

At North Star we have always recognised the impact our work has on communities. We have always worked hard to ensure this impact is as positive as possible to benefit our customers.

Connecting communities to our business gives us the opportunity to understand what really matters to our tenants, demonstrate our role as an anchor organisation and support people to realise their ambition and achieve their potential.

Our geography and the communities we work in, can present unique challenges. From high levels of child poverty in Teesside, to lack of access to services in some of our rural communities in County Durham, we work hard to understand the challenges communities face but, more importantly, the strengths and assets they possess to tackle them.

It is a key strategic decision to invest in our communities, working with people to address community challenges and improve the quality of their lives. In 2023/24 North Star invested £342k in this area.

North Star's investment generates social value which is measured, calculated and reported annually using a treasury approved method of calculation combining qualitative and quantitative outcomes. As a result of the investment North Star has delivered more than £4m of social value. This figure is made up of:

- Over £3,000k generated through community investment projects targeting food poverty relief, tackling the cost-of-living crisis and addressing loneliness.
- £100k generated by tenant connection activity reviewing of policies, procedures and performance of North Star.
- £850k generated in health and wellbeing outcomes through planned maintenance work improving the quality of homes we own.
- £70k generated through successful moves of people from supported housing to independent tenancies.

Asset Management

We are working towards a 5-year cycle of stock condition surveys, with 996 surveys completed during 2023/24. This robust data helps to inform our strategic decisions relating to stock investment. Our investment programme is developed to combine works to both minimise disruption for customers and achieve efficiencies for North Star through procurement.

Our property portfolio is diverse. Our Asset Management Strategy (approved by Board in June 2022) sets out how we manage, maintain, and review the performance of our stock. We hold stock condition data on over 99% of our assets which is externally validated every two years via sample testing – this was last shared with Board in March 2023, with consultants confirming high levels (92%) of data accuracy with our approach to internal stock surveys.

During 2023/24 we invested £5.5m in our existing properties. In total 992 homes benefited from investment work during the year with customer satisfaction at 91%. Active asset management and planned investment is not only vital to ensuring homes meet customer expectations and meet the decent home standards, but it is also known to reduce the need for responsive repairs.

We are committed to the long-term aim of decarbonising our stock and meeting the Government's targets of getting our properties to EPC Level C by 2030. During the year we have continued to invest in the decarbonisation of our stock with 102 properties upgraded to EPC level C and attracted £159k grant through the Government's Social Housing Decarbonisation Fund (SHDF). During 2024/25 we will continue to capture and enhance our knowledge of the energy performance of our stock through further EPC surveys. Where possible, we will look to maximise our investment by accessing grant subsidy through further rounds of the SHDF and work collaboratively with Local Authorities and peers to achieve efficiencies through partnership working and procurement.

Customers

We pay close attention to the satisfaction levels of customers – this is key to understanding if we are delivering high quality and effective services that meet their needs.

We capture satisfaction with services in two ways: Rant and Rave, and Tenant Satisfaction Measures (TSMs). Rant and Rave is the system used to collect customer satisfaction with a specific service (transactional) where surveys are conducted immediately after the service has been delivered. The satisfaction data relevant to the TSMs is linked to services the customer has received in the last year or so (perception) and provides a broader view of customers' overall experience.

We are members of the Institute of Customer Service (ICS), and this enables us to access leading edge research on customer experience, connect with customer service innovators operating in a range of sectors and benchmark ourselves against non-housing service providers. Research from ICS shows a direct correlation between the delivery of great customer service and the financial performance of an organisation which helps to drive VFM.

The last perception survey with ICS was in May 2022 where North Star scored 83.6/100, the highest score recorded by a housing association. We will be carrying out a further customer perception survey with ICS during 2024/25.

Customer Satisfaction

TSM indicator	TSM Description	23/24	HouseMark* benchmarking – National		
			Lower Quartile	Average	Upper Quartile
TP01	Satisfaction with overall service	83.2%	63%	69.4%	78%
TP02	Satisfaction with the overall repairs service	78.5%	64.5%	70.4%	78.7%
TP03	Satisfaction with time taken to complete most recent repair	74.7%	59%	66.4%	75.5%
TP04	Satisfaction that their home is well maintained	83%	63.3%	69.4%	77.8%
TP05	Satisfaction that their home is safe	91.1%	70%	76.1%	82.2%
TP06	Satisfaction that North Star listens to tenant views and acts upon them	77.5%	51.3%	58.9%	67.3%
TP07	Satisfaction that North Star keeps tenants informed about things that matter to them	80%	62.7%	69.5%	76.7%
TP08	Proportion of respondents who report that they agree North Star treats them fairly and with respect	88.1%	70%	76.3%	83.3%
TP09	Satisfaction with North Star's approach to handling complaints	50.8%	26%	33.8%	40%
TP10	Satisfaction that North Star keeps communal areas clean and well maintained	75.8%	58.7%	65.5%	72.3%
TP11	Satisfaction that North Star makes a positive contribution to neighbourhoods	72.3%	56%	62.5%	71.2%
TP12	Satisfaction with North Star's approach to handling anti-social behaviour	71.3%	51%	57%	63.6%

*HouseMark data 2023/24.

We are achieving top quartile performance in ten categories, with the other two performing better than the average. The table below shows Rant and Rave satisfaction on the two key areas – repairs and customer service:

Rant and Rave Customer satisfaction KPI	2021/22	2022/23	Target 2023/24	2023/24	Target 2024/25	HouseMark median
Repairs	88.6%	85.6%	88%	83.8%	88%	88%
Customer Service	97%	95.5%	88%	95.1%	96%	No data available

We know how important the repairs service is for customers. The dissatisfaction levels with repairs relates to communication, and the length of time taken to complete the work. We actively investigate every instance of low satisfaction to identify trends and improve services to customers. The delivery of our repairs service continues to be a priority for North Star with intense management focus and oversight to improve performance.

We also capture satisfaction data on a range of other services including gas servicing, new homes, complaints, adaptations, moving in and planned maintenance.

Performance

Another measure of effectiveness is KPI performance with the annual performance of some key measures for 2023/24 set out below:

KPIs	2021/22	2022/23	Target 2023/24	Outturn 2023/24	HouseMark Quartile Position
Current arrears – General Needs & Older Persons (GN&OP)	2.54%	3.10%	2.9%	3.02%	Average
% rent lost through homes being empty (GN&OP)	0.89%	0.94%	0.9%	0.78%	Upper
% of appointments kept	99.3%	95.8%	95%	96.5%	Upper
% of gas services completed before expiry date at quarter end	99.8%	99.74%	100%	99.94%	Lower
% of time lost to sickness	2.16%*	2.03%	N/A	1.57%	Not available

*Performance adjusted to remove impact of absence due to Covid

We set challenging performance targets informed by three-year trend data and consideration of our operating environment.

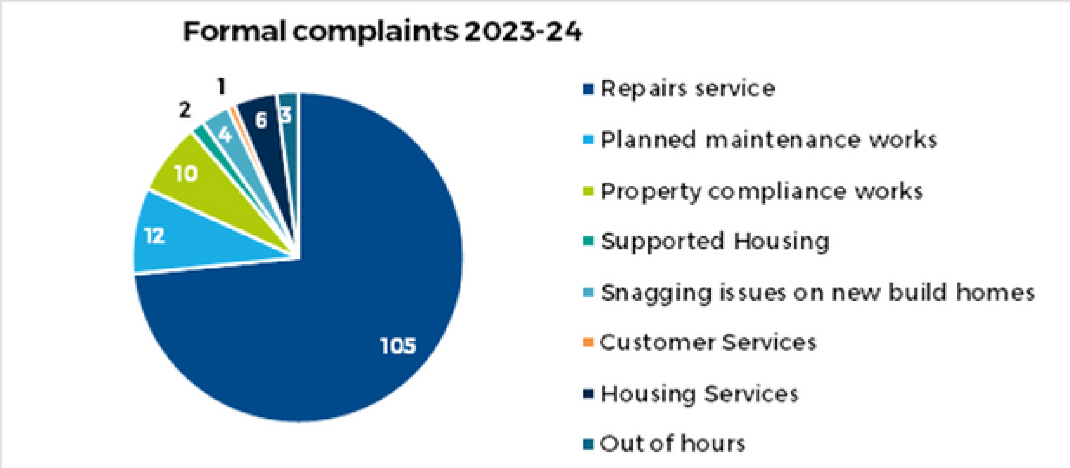
Rent arrears (General Needs) were outside of target by 0.12%. During the year, the number of customers in receipt of Universal Credit (UC) increased and now account for 42.7% of all customers. The migration from housing benefits to UC results in a five week wait for the first payment building up arrears for many customers. 78% of North Star customers on UC are in arrears. The cyclical nature of other monthly payments including direct debits and housing benefit payments also impacts our performance figures with arrears dropping the week following these payments. This can be demonstrated with arrears in week one of 2024/25 reducing to 2.62%.

We continue to support our customers through the delivery of benefits advice and income maximisation. During 2023/24, the Team supported 792 customers, increasing their income by £757k.

Our performance on gas servicing was less than the specified target at the end of March 2024. This is due to two properties where we experienced access issues when attempting to undertake servicing. As at June 2024, both properties were compliant.

Complaints

In 2023/24 we received 143 complaints (2022/23: 186 complaints) and so have experienced a healthy decrease over the last 12 months.



The majority (73%) of complaints received were relating to the repairs service. Whilst numbers are relatively low, the issues driving complaints are also influencing the levels of customers satisfaction with the repairs service, and satisfaction with the overall service delivered by North Star. The issues identified across all methods of customer insight highlight that the time taken to complete works, missed appointments and communication are areas where we need to improve.

Financial Capacity

Our top regulatory judgements of G1/V1 were confirmed again in November 2023 as a part of the Regulator's Annual Stability Check. This next section sets out our approach to assessing, and evidencing use of, the financial capacity within the business.

Borrowings

As at the end of March 2023, the organisation had £111.3m of drawn debt to support investment in both new and existing properties. The level of debt drove gearing of 47.2%, which placed us in the top quartile when compared to our standard peer group as referenced below. The peer median for the same period was 42.8% and indicates North Star is leveraging more debt from its available asset base to drive investment in our communities. In 2023, our debt per unit calculation was £29k comparing to a peer average of £18k, this indicating the organisation 'sweats' its assets more in comparison to peers.

In 2024 we introduced a new funder to the organisation (Clydesdale Bank Plc t/a Virgin Money) as a part of the latest refinancing project to replace our revolving credit facility with Yorkshire Building Society (YBS). The new facility, totalling £50m, increased our access to liquidity by £25m and allowed us to retain a harmonised suite of covenants across all principal funders. The new facility also allows us to manage interest rate risk, but also benefit from any future decline in the variable rate of interest.

We have continued to model debt capacity stress testing in our Business Planning process for 2024. Similar to 2023, this has shown there continues to be more exposure to the availability of asset cover in our financial planning compared to other aspects of covenant risk. The April 2024 Business Plan does however make good use of the available security and holds sufficient headroom to help mitigate covenant risk

Investment

The 2023 Business Plan captured a commitment to deliver 450 new units between 2025 and 2031, and to deliver an EPC rating of 'C' across all our properties by 2028. Whilst we have seen a slowdown in inflation since its peak in October 2022, inflation remains ahead of the Bank of England's (BoE) long-term target of 2% representing a challenge for North Star and customers alike. This has subsequently led the BoE to hold interest rates at 5.25% up until July 2024, increasing the cost of funds for providers looking to invest in new and existing properties. It is reported that providers in the sector are continuing to reduce capital expenditure in new development and limit their investment in decarbonisation as a response to the challenging economic environment.

The financial strength of North Star has allowed for these investment commitments to continue in the 2024 Business Plan approved by Board in May 2024 of this year. The investment allows us to meet housing need as well as support customers to alleviate the impact of fuel poverty.

Investment in delivering social value remains at the core of North Star. Our financial strength, as evidenced by our strong operating margin, allowed us to spend £342k on Community Investment in 2023/24 with our work delivering more than £4m of social value during the period.

Sustaining our financial resilience is a critical focus going forward as outlined in our Strategic Risk Register with the inclusion of a specific risk "Impact of external costs increases is detrimental to North Star", within which a series of risk controls are being operated. The stress testing of our April 2024 Business Plan evidenced we are able to withstand significant financial uncertainty.

North Star Trends and Comparison to other Housing Associations

Benchmarking

Benchmarking enables us to assess our costs and performance against our peers.

There is a time lag to the publication of benchmarking data so the most up to date peer information is for the 2022/23 financial year. We know from speaking with peers and our own financial performance that there have continued to be cost pressures during 2023/24 mainly around maintenance costs.

There is a range of information available which can be used to benchmark the performance and costs of North Star. It can identify areas of high cost or poor performance that can be investigated by staff and action taken to improve if required. There can be difficulties in drawing absolute comparisons on benchmarking data. We use benchmarking in the following ways:

- HouseMark
- RSH Global Accounts
- RSH VFM Metrics
- Vantage Benchmarking Club
- Bespoke Peer Groups

RSH VFM Metrics

The table below shows the performance on the VFM metrics over the last four years and includes VFM targets for the 2024/25 financial year.

RSH metrics	2021	2022	2023	2024	2024	2025	2021	2022	2023
	NS	NS	NS	NS (Target)	NS (Actual)	NS (Target)	Peer	Peer	Peer
1. Reinvestment %	3.0%	3.5%	6.6%	8.3%	9.5%	8.5%	6.7%	7.1%	5.9%
2. New supply delivered (Social Housing Units)%	1.75%	1.04%	1.78%	1.90%	2.12%	1.87%	1.37%	1.08%	1.62%
3. Gearing %	45.9%	45.8%	47.2%	48.7%	48.8%	50.5%	41.0%	42.4%	42.8%
4. EBITDA MRI interest cover %	65%	201%	169%	180%	86%	117%	158%	183%	152%
5. HSCU	£3,449	£3,930	£4,354	£4,626	£5,332	£5,491	£3,580	£3,908	£4,399
6a. Operating Margin (Social Housing Lettings)%	28.7%	27.6%	21.7%	22.2%	21.7%	21.4%	23.5%	20.7%	18.6%
6b. Operating Margin %	29.7%	28.7%	22.9%	24.9%	22.9%	24.3%	21.0%	21.0%	19.0%
7. ROCE	2.9%	2.9%	2.3%	2.7%	2.4%	2.6%	3.4%	3.4%	3.1%

North Star did not deliver any new supply in respect of Non-social housing units. There is no peer group data available yet for 2023/24.

North Star Trend

The key points to note from the North Star data are:

- The reinvestment metric has increased in 2024 with higher spend on the development programme, delivering 83 new units in the year. During this period, we have also invested £5.5m to meet the component needs of our existing properties as determined by stock condition and energy performance data.

- Inflation has continued to have an impact during the year, acting to increase the cost of component replacement within our existing stock. Material cost increases to deliver Decent Homes works, has had a negative effect upon the Social Housing Cost Per Unit (HSCU) and EBITDA MRI Interest Cover metrics where performance has deteriorated.

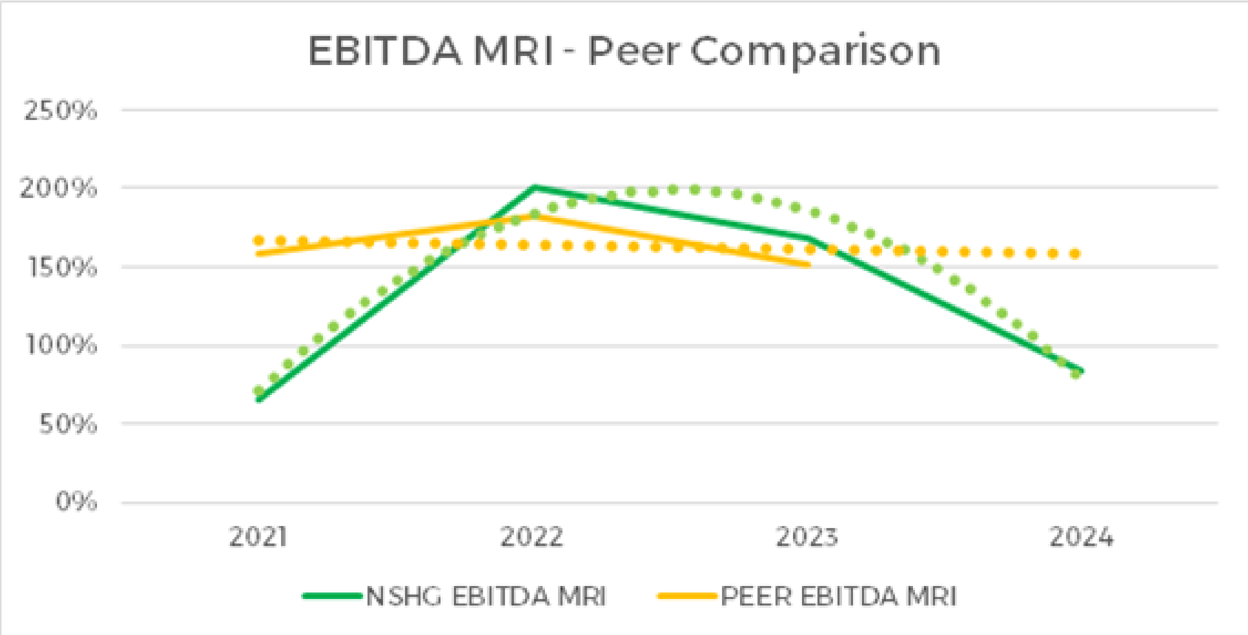
North Star v Peer Group Metrics

Data from our peers on their performance against the VFM metrics for 2023/24 is not yet available. To compare with others in the sector we have used our 2023/24 performance comparing with that of the trend from peers over the last three financial years. This makes absolute comparison difficult, as the full impact of persistent inflation and a continued higher interest environment is not yet fully visible on peer metrics.

Comparing recent data, there are two metrics where the trend demonstrates a negative movement from our peer group. The areas which are outlined further below, will continue to be an area of focus when peer data for 2023/24 becomes available.

EBITDA MRI Interest Cover

The EBITDA MRI interest cover was significantly reduced during 2021 as a result of the exit costs incurred as a part of the 2020 Refinancing Project. Over 2022 and 2023 our performance in this area sat comfortably ahead of the peer benchmark. However, the recent experience for both ourselves and peers on this measure has seen for downward pressure as a result of cost increase in recent years.



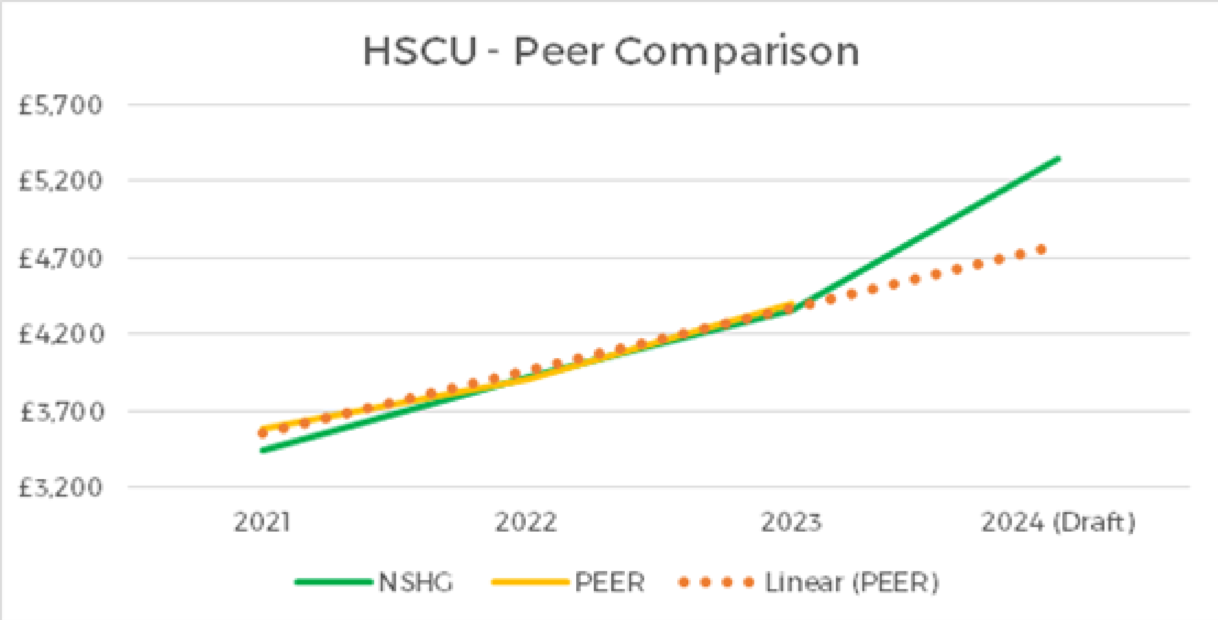
In 2023 a reduction in our operating surplus was partly responsible for the reduction in EBITDA MRI Interest Cover. Despite strong performance in 2024 to sustain our operating margin, the reported level of interest cover has continued to deteriorate. This is due to the increasing cost of capitalised major repairs where it has become more expensive to deliver the major works requirement of our existing properties.

The investment of £5.5m in existing properties in 2024 represents a 94% increase upon the level of capitalised repairs from the previous year. Whilst the level of investment reflects our commitment to improving the quality of our customers' homes, absolute comparisons with other providers can be difficult given the fluctuating level of capitalised repair costs forming part of the calculation. The level of capitalised repairs is informed by stock condition and energy performance information held on housing stock, which ultimately vary between different organisations as a result of their stock investment needs.

Headline Social Housing Cost (HSCU)

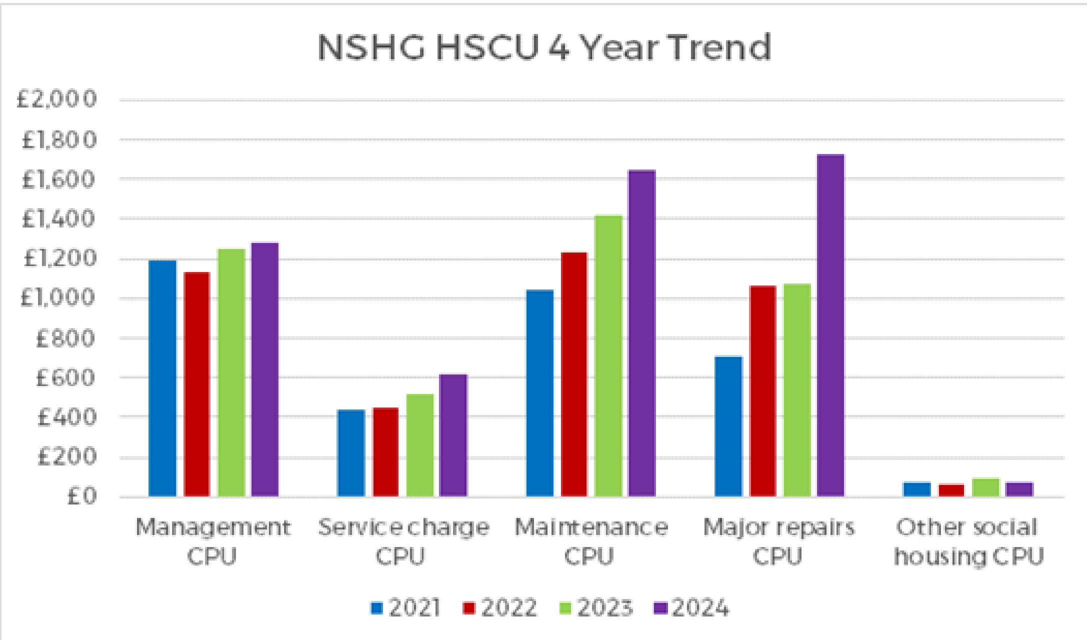
The HSCU is a measure of efficiency within the business. Whilst the trajectory of both our own and our peers' HSCU is increasing, analysis of the trend as shown on the below graph indicates the metric for North Star may be rising faster than that of our peers.

The impact of a further challenging year during 2024 as a result of persistent inflation is not yet visible on our peers. It will be possible to undertake further analysis upon this metric and revisit peer comparisons once the Financial Statements of other providers are published in September 2024.



HSCU Four Year Trend

The graph below shows how the HSCU has changed for North Star over the last four years. In 2023/24 our HSCU is £5.3k, an increase of 22.5% on the prior year. Over a four-year period, HSCU has increased by £1.8k per unit with most of this increase being attributable to Major Repairs (£1k per unit) and Maintenance (£0.6k per unit) as demonstrated by the below graph.



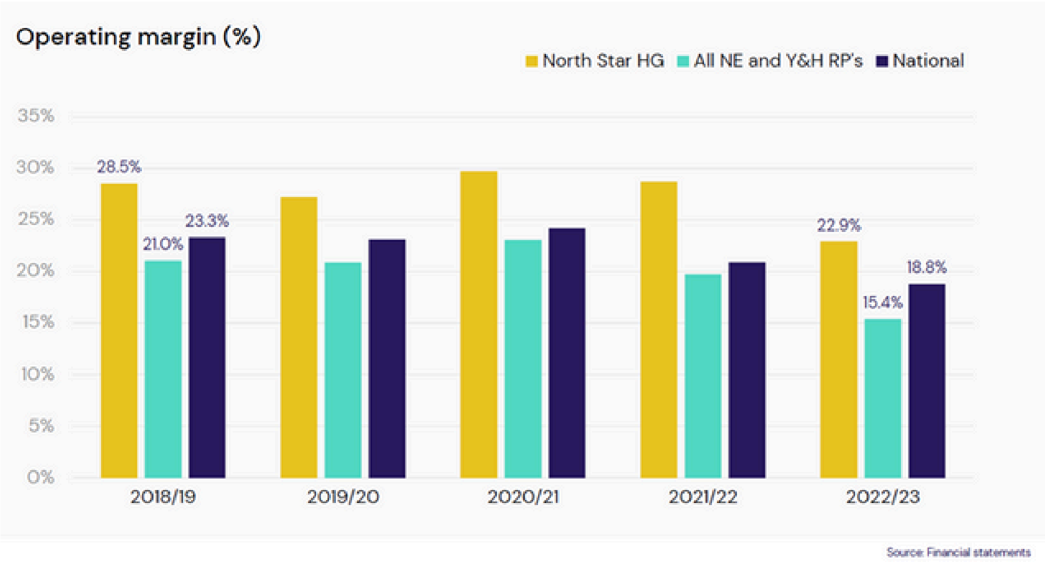
Over the three-year period from 2021, the North Star HSCU increased by 26% and the peer HSCU increased by 23% and is reflective of a consistent experience during a period of high inflation. During this time the sector has had to respond to new requirements around fire safety and compartmentation, damp & mould and decarbonisation, all acting to increase the maintenance and major repair CPUs. During the year we have undertaken conscious decision making to prioritise tenant safety whilst continuing to deliver good quality services to customers.

HouseMark

The level of analysis from HouseMark included in this report is brief. The peer group used in this analysis is different to the standard peer group referenced above – it is made up of all participating organisations in the Northeast, and Yorkshire & Humberside with 2,500 to 7,500 units.

The next section highlights both areas of strength and underperformance within the organisation.

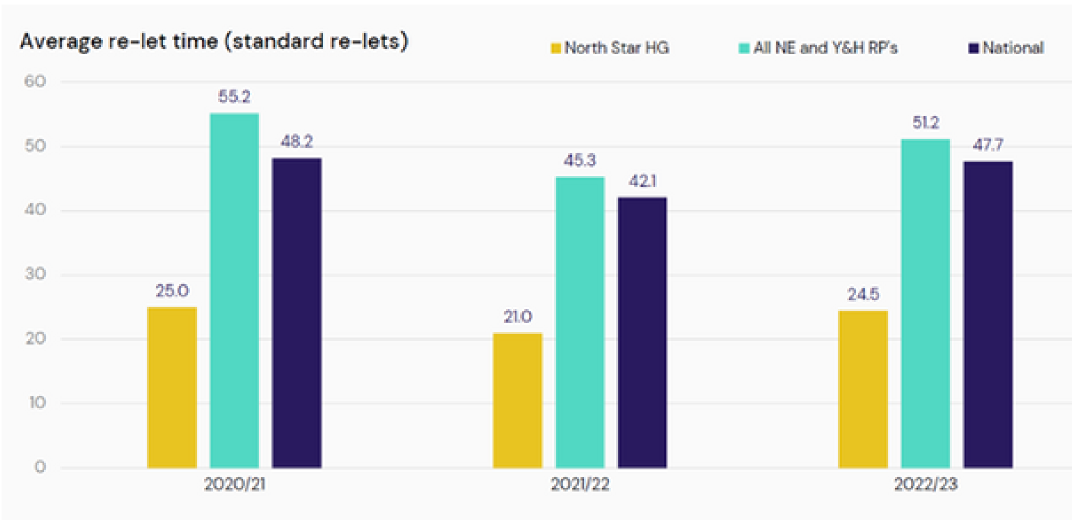
Our operating margin continues to be an area of strength as demonstrated by the below graph. During 2022/23 we achieved an operating margin of 22.9% which was comfortably above that of our peers and the national sector average.



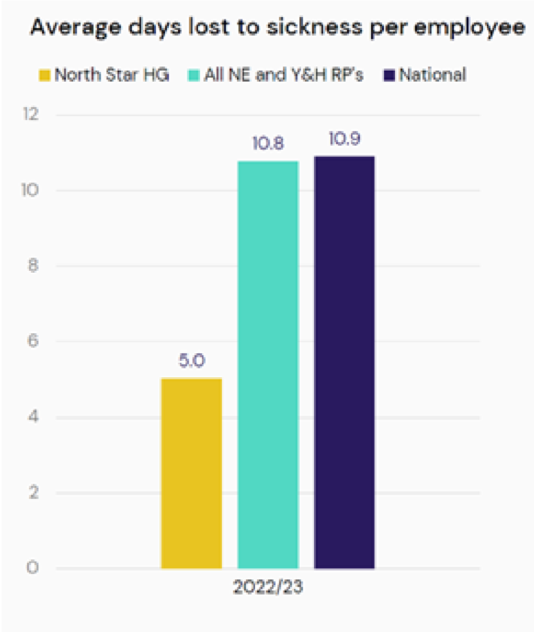
A strong operating margin is of key consideration as we look to preserve our private credit rating. Robust financial management has seen our operating margin stabilise during 2023/24.

The HouseMark data for 2022/23 shows that North Star performs well in many of the cost and performance metrics. We have set out below some areas of strong performance:

- Average relet times missed the internal target of 20 days but are significantly lower than local and national averages.

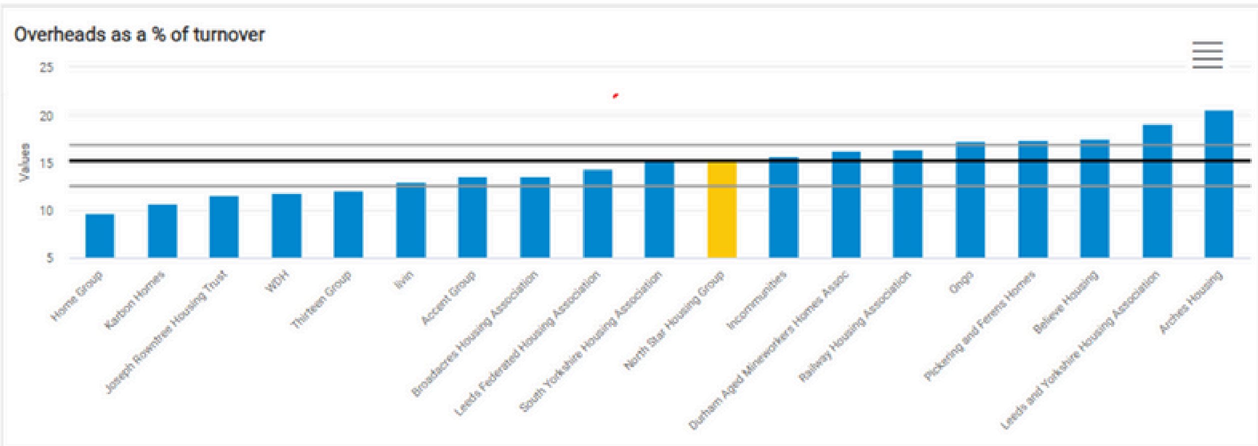


- Our staff turnover and average sickness are both in the top quartile.

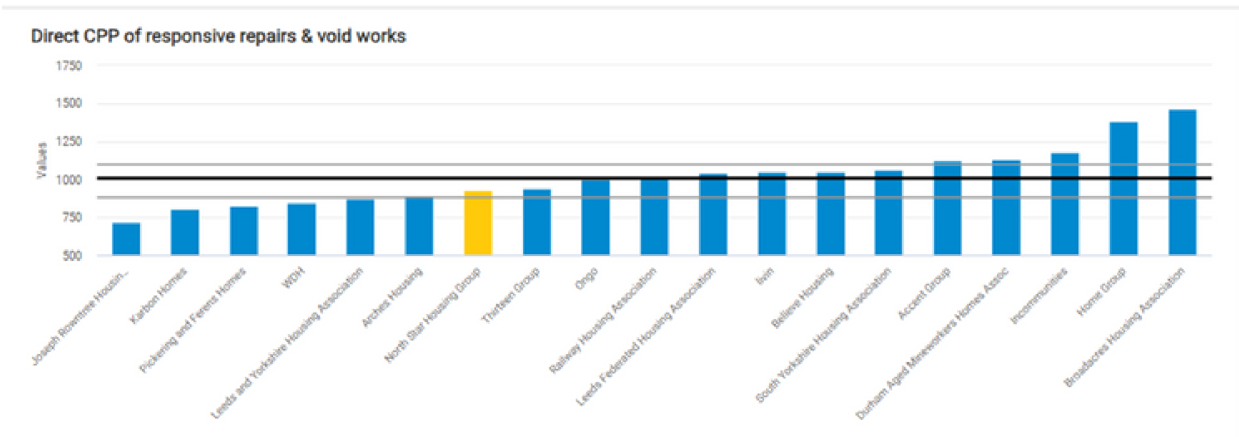


We have set out some analysis below of areas where North Star has seen cost increases in 2022/23:

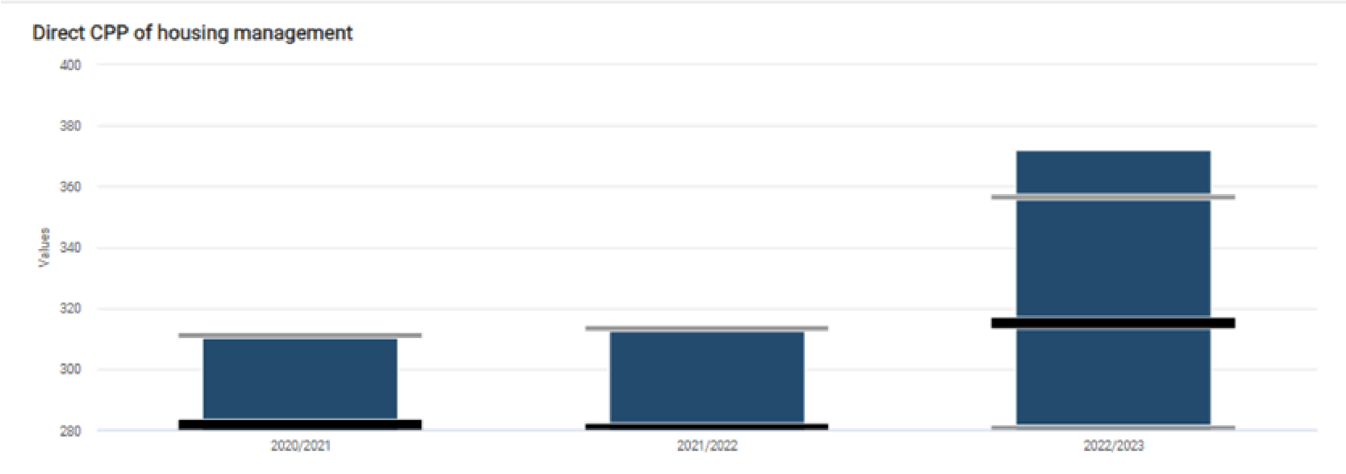
- Overheads as a % of turnover (15.3% v median of 15.2%). Spend captured in this area includes Finance, IT (Digital & Data), HR (People Services) and premises costs. Over the last three years, this measure has increased from 13.7% to 15.3%. The main impact has been the level of investment needed to deliver our strategy for Digital and Data.



- In previous years our repair and void cost per property were both in the top quartile but a combination of the new repairs contract with Ian Williams and the volume of jobs has seen repair and void costs move closer to the median (NS - £930; Median - £1,010). These costs have increased for North Star in 2023/24 and staff know that many peers have seen similar pressures on this spend.



- Direct cost per property for Housing management has increased to £372 per unit – this was a result of the £200k Hardship fund that was set up to support customers and communities – this increased the cost per unit by c.£60 and was a strategic decision approved by Board.



2023/24 and Beyond

VFM is at the heart of our corporate objectives, budgeting and business planning processes. VFM remains a key area of focus and supports our approach to deliver good quality services to customers.

Over the last 12 months the external environment has remained challenging. Persistent inflation has seen our operating costs rise at a level broadly similar to our income, and despite the economic challenges faced we have stabilised our operating margin during this time. During the year we have seen exposure to cost increase, particularly within property maintenance, where we have responded to an increasing level of demand from our customers and a broadening scope of works required in our properties. We are responding with a series of actions in 2024/25 to understand and mitigate pressure in this area of the business.

New funding introduced in the year, increases our access to liquidity and supports effective management of treasury risk over the life of the facility. The facility ensures there is an availability of cash to meet the ambitions of L&G to 2026 to invest in both new and existing properties.

The preservation of our financial resilience remains of critical importance. Continuing to deliver VFM will be key to enabling North Star to remain strong, to support our customers and communities. Unlocking efficiencies through transformational projects as well as effective smart procurement are some of the tools at our disposal to support the management of this risk.

We remain conscious of the risk cost increase poses to our private credit rating. It is from this perspective our future financial plans ensure savings are captured and discretionary spend is identified as we look to sustain our strong operating margin performance.

2024/25 Value for Money Targets and Objectives

Our Corporate Plan captures VFM objectives for 2024/25. The objectives can be viewed here and were approved by Board in March 2024. We will continue to drive our approach on VFM within the business and review our Strategy in 2024/25. We fully expect additional VFM objectives to emerge during the year as we respond to the needs of our customers faced by a dynamic external environment.

Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, though not absolute, assurance against material misstatement or loss.

The Board has received the annual review of the effectiveness of the system of internal control for the Organisation, as approved by RAC, and the Annual Report of the Internal Auditor. Both reports provided assurance that there were adequate systems of internal control and that these had operated effectively throughout the year.

The process for identifying, evaluating and managing the significant risks faced by the Organisation is ongoing and has been in place throughout the period commencing 1st April 2023 up to the date of approval of the Report and Financial Statements.

Key elements of the control framework include:

- Assessing compliance with the Regulator of Social Housing Regulatory Standards. Detailed self-assessments against all RSH standards were shared with Board at the June 2023 meeting.
- Adoption of and compliance with the National Housing Federation 2020 Code of Governance - Promoting Board Excellence in Housing Associations
- Compliance with the Regulatory Standard on Governance and Financial Viability as evidenced by our G1/V1 rating in November 2023.
- Board approved terms of reference and delegated authorities for the Risk and Audit Committee and ad hoc working groups.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for staff and Board.
- Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- A risk management framework, approved by the Board in December 2022, which includes the ‘three lines of defence’ assurance model for all risk registers.
- The annual review of the effectiveness of the systems of internal control, which considers a range of areas including risk management, internal audit arrangements, and the approach to procurement and fraud. The 2023/24 review concluded that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and that those systems were aligned to an on-going process for the management of the significant risks facing the Organisation.
- An independent Internal Audit function which agrees an annual programme of work with the Risk and Audit Committee (RAC), meets with the Committee (with and without management in attendance) and provides reports to the Committee detailing levels of assurance for each area reviewed, as well as an Annual Report.
- A comprehensive approach to treasury management which is subject to external review on an annual basis. RAC approved the Annual Treasury Strategy in May 2023 and this included a presentation from Centrus, the retained treasury advisors to the Organisation.
- Updated ‘Golden Rules’, which cover liquidity, covenants and key operational metrics which are reflective of our funding agreements.Performance against these is reported to the Board quarterly as part of the finance report.
- Regular reporting on key business objectives, targets and outcomes.
- A regular review of Internal and External Auditors and their roles/periods of appointment.

Risk Management

The Standing Orders, approved by Board in December 2022 state that:

"The Board shall lead the Association within a framework of sound governance, continuous improvement and effective control which enables risks to be properly assessed and managed."

The Risk Management Framework was approved by Board in December 2022 and sets out the roles and responsibilities for risk management as well as the risk management process.

Risk Management Responsibilities

Board is responsible for leading the Organisation within a framework of sound governance, continuous improvement and effective control which enables risks to be properly assessed and managed. Board also oversees a risk management framework in order to safeguard the assets and reputation of the Organisation and review the high scoring strategic risks.

Board delegate the oversight of the risk management process to the Risk and Audit Committee. RAC review the quarterly risk management report, focusing on low and medium risks, assessing the direction of travel of risk scores, identifying and highlighting any issues in relation to these to the Board including any proactive measures which would prevent these risks being scored as high risks. This supports the Board with its overall responsibility for risk and enables the Board to focus more time on high scoring risks.

The Senior Management Team make up the Risk Group and they are responsible for supporting the Board in the strategic development and implementation of a pro-active approach to risk management for the Organisation. The Risk Group ensures the most significant risks faced by the Organisation are identified, analysed, prioritised, effectively managed and presented to RAC and Board. The Risk Group is also responsible for ensuring that any new or emerging risks are identified, assessed and presented to Board and RAC.

Risk Management Process

There are four aspects for managing and addressing risk – Tolerate, Treat, Transfer or Terminate – and there are four categories of controls – Preventative, Corrective, Directive and Detective. The controls and assurances are captured in our 4Risk software and we use the Three Lines of Defence model to classify assurances:

- 1st Line of Defence – this is front line staff, policy and procedures.
- 2nd Line of Defence – this is the review of management and/or Board, RAC and RECC.
- 3rd Line of Defence – this is external validation of the control. For example, internal audits of a service area provided third party validation of controls.

There are owners for each risk control and these owners are responsible for assessing the level of assurance for that control.

The Risk Group meet every quarter and as well as discussing the strategic risks also consider feedback from the operational risk group and discuss emerging risks. The Risk Group meeting notes are made available to all Board members.

The Strategic Risk Register is reported to Board and RAC quarterly. The quarterly risk report also includes details of the emerging risks that have been considered by the Risk Group.

Operational risks within the business are owned and managed by the Functional Directors and Heads of Services Risk Group. The group meets quarterly to identify, assess and escalate where appropriate to Risk Group areas or activity that could threaten the achievement of corporate objectives. The Operational Risk Register is also reported to the RAC annually.

Risk Management Activity 2023/24

Following an update of the Risk Management Framework in 2022/23 which involved an external consultant, there were only a small number of key risk management actions to complete in 2023/24. This involved;

- Updating the Board's Risk Appetite Statement (March 2024)
- Board approving annual stress testing scenarios for featuring within the 2024 Business Plan (January 2024)

In 2024/25 the Board are reviewing their approach for undertaking 'deep-dives' upon Strategic Risks which will see for a continuation of embedding a risk management culture across the business. There is a robust risk management framework in place with clear responsibilities set for Board, RAC and the Risk Group with a clear risk management process in place.

Financial Risk Management

The Organisation's operations expose it to a variety of financial risks including credit risk, interest rate risk and liquidity risk. Principal financial instruments comprise of cash and bank deposits, bank loans and overdrafts, other loans and obligations under operating leases, together with debtors and creditors that arise directly from its operations. The main risks arising from financial instruments can be analysed as follows:

Credit Risk

Principal financial assets are bank balances, cash and rent debtors, which represent the Organisation's maximum exposure to credit risk in relation to financial assets.

Exposure to credit risk is primarily attributable to rent debtors. A detailed arrears monitoring process is in place and the amounts shown in the balance sheet are net of a provision for doubtful debts estimated by management, based on prior experience. Performance on arrears has been strong in 2023/24 despite the challenging economic environment.

The credit risk on liquid assets is limited because the counterparties are banks that retain high credit ratings with international credit rating agencies.

Interest Rate Risk

The Organisation's policy is to ensure that between 70% and 100% of its long-term borrowings are held on fixed interest rate arrangements with a range of maturity dates to ensure that the Organisation's exposure to significant movements in interest rates is limited. The Organisation continues to be well protected against this risk, where at the 31st March 2024, 97% of drawn debt was at fixed rates of interest.

Liquidity Risk

The Organisation continues to ensure that its liabilities can always be met when due and that adequate liquidity is at all times available to meet unexpected expenditure requirements that may arise from time to time. One of our 'Golden Rules' prescribes a minimum level of cash reserves. As at the 31st March 2024, North Star had access to £44m of liquidity through cash balances as well as secured and undrawn loan facilities.

Disclosure of Information to Auditor

The Board members who held office at the date of approval of this Board Report confirm that, so far as they are each aware, there is no relevant audit information of which the Organisation's Auditor is unaware; and all Board members have taken all steps that they ought to have taken as Board members to make themselves aware of any relevant audit information and to establish that the Organisation's Auditor is aware of that information.

Auditor

A resolution to re-appoint Beever & Struthers as Auditor will be proposed at the Board meeting on 16th September 2024.

Statement of the Board's responsibilities in respect of the Board's Annual Report and the Financial Statements

The Board is responsible for preparing the Board's 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 requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Organisation and of the income and expenditure of the Organisation for that period. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Organisation will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Organisation and enable it to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Organisation and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Organisation's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Compliance

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

Approval

This Report was approved by the Board on 16th September 2024 and signed on its behalf by:

Anna Urbanowicz
Chair

Independent Auditor’s Report to the members of North Star Housing Group

Opinion

We have audited the financial statements of North Star Housing Group (the ‘Association’) for the year ended 31 March 2024 which comprise the Association Statement of Comprehensive Income, the Association Statement of Financial Position, the Association Statement of Cash Flows, the Association Statement of Changes in Reserves and the notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association’s affairs as at 31 March 2024 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities in respect of the Board's Annual Report and the Financial Statements set out on page 31, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of laws, regulations and guidance that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the NHF Code of Governance 2020, the Regulatory Standards, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

This report is made solely to the Association's members as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers
Statutory Auditor
One Express
1 George Leigh Street
Manchester
M4 5DL
Date: 26 September 2024

Association Statement of Comprehensive Income

for the year ended 31st March 2024

	Note	Year ended 31st March 2024 £000	Year ended 31st March 2023 £000
Turnover	*3*	**24,649**	22,381
Operating expenditure	*3*	**(19,005)**	(17,254)
Operating surplus subtotal	*3*	**5,644**	5,127
Surplus on disposal of fixed assets	*7*	-	115
Operating surplus		**5,644**	5,242
Amortisation of intangible assets & goodwill	*16*	**(32)**	(32)
Interest receivable and similar income	*8*	**53**	25
Interest payable and financing costs	*8*	**(2,965)**	(2,681)
Surplus for the year before taxation		**2,700**	2,554
Tax on surplus on ordinary activities	*13*	-	-
Surplus for the year after taxation		**2,700**	2,554
Other comprehensive (expense)			
Actuarial (loss) in respect of pension scheme	*12*	**(367)**	(330)
Total comprehensive income for the year		**2,333**	2,224

All results derive from continuing activities.

The Financial Statements, on pages 36 to 68, were approved by the Board and authorised for issue, on 16th September 2024 signed on its behalf by:

A Urbanowicz	**G Allinson**	**J Walder**
(Chair of Board)	*(Chair of Risk and Audit Committee)*	*(Secretary)*

The Notes on Pages 40 to 68 form part of these financial statements.

Association Statement of Financial Position
at 31st March 2024

	Note	**At 31st March 2024 £000**	At 31st March 2023 £000
Fixed assets			
Housing properties	*14*	240,459	220,916
Other tangible assets	*15*	1,559	1,245
Intangible assets	*16*	68	100
Total fixed assets		242,086	222,261
Current assets			
Investments	*17*	30	30
Debtors (including £207k *(2023 £260k)* due after more than one year)	*18*	2,370	2,880
Cash and cash equivalents		1,983	7,055
		4,383	9,965
Creditors: amounts falling due within one year	*19*	(7,097)	(5,181)
Net current (liabilities)/assets		(2,714)	4,784
Total assets less current liabilities		239,372	227,045
Creditors: amounts falling due after more than one year	*20*	(200,732)	(190,748)
Provisions for liabilities and charges			
Pensions	*12*	(1,814)	(1,783)
Other provisions	*24*	(69)	(90)
Total net assets		36,757	34,424
Capital and reserves			
Non-equity share capital	*25*	-	-
Restricted reserves		566	566
Revenue reserves		38,005	35,641
Pension reserves		(1,814)	(1,783)
		36,757	34,424

The Financial Statements, pages 40 to 68, were approved by the Board and authorised for issue, on 16th September 2024 signed on its behalf by:

A Urbanowicz
(Chair of Board)

G Allinson
(Chair of Risk and Audit Committee)

J Walder
(Secretary)

Association Statement of Cash Flows

for the year ended 31st March 2024

	Year ended 31st March 2024 £000	Year ended 31st March 2023 £000
Cash flows from operating activities		
Surplus for year	2,700	2,554
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,565	3,350
Amortisation of intangible fixed assets	32	32
Amortisation of Government grant	(991)	(945)
Decrease/(increase) in trade and other debtors	33	(4)
Increase in trade and other creditors	1,535	103
(Decrease) in provisions	(21)	(35)
Pension costs less contributions payable	(414)	(393)
Surplus on sale of tangible fixed assets	-	(115)
Transfer to current assets	-	88
Adjustments for financing activities;		
Interest and financing costs	2,965	2,681
Interest receivable	(53)	(25)
Net cash from operating activities	9,351	7,291
Cash flows from investing activities		
Purchase of tangible fixed assets	(23,200)	(14,675)
Proceeds from sale of tangible fixed assets	-	166
Grants received	4,389	1,677
Interest received	53	25
Net cash used in investing activities	(18,758)	(12,807)
Cash flows from financing activities		
Interest paid	(3,038)	(2,743)
New secured loans	17,250	10,000
Loan Issue Costs	(593)	-
Repayments of borrowings	(9,287)	(16)
Net decrease in other loans	3	(12)
Net cash from financing activities	4,335	7,229
Net (decrease)/increase in cash and cash equivalents	(5,072)	1,713
Cash and cash equivalents at 1st April	7,055	5,342
Cash and cash equivalents at 31st March	1,983	7,055

The Notes on Pages 40 to 68 form part of these financial statements

Association Statement of Changes in Reserves

for the year ended 31st March 2024

	Share capital £000	Restricted reserves £000	Revenue reserve £000	Pension reserve £000	Total reserve £000
Balance at 1st April 2022	**-**	**469**	**33,532**	**(1,801)**	**32,200**
Total comprehensive income for the financial year					
Surplus for the year	-	-	2,554	-	2,554
Other comprehensive income					
Actuarial loss recognised in the pension scheme	-	-	-	(330)	(330)
Transfer to restricted reserves	-	97	(97)	-	-
Transfer to pension reserves	-	-	(348)	348	-
Balance at 31st March 2023 & 1st April 2023	**-**	**566**	**35,641**	**(1,783)**	**34,424**
Total comprehensive income for the financial year					
Surplus for the year	-	-	2,700	-	2,700
Other comprehensive income					
Actuarial loss recognised in the pension scheme	-	-	-	(367)	(367)
Transfer to restricted reserves	-	-	-	-	-
Transfer to pension reserves	-	-	(336)	336	-
Balance at 31st March 2024	**-**	**566**	**38,005**	**(1,814)**	**36,757**

Notes

1. Legal Status

The Association is incorporated in England and Wales under the Co-operative and Community Benefit Societies Act 2014, registered number 21256R. The Association is registered with the Regulator of Social Housing as a Registered Provider under the terms of the Housing and Regeneration Act 2008, registered number LH0084. The Association is a public benefit entity (PBE) with its principal activity being to provide social housing.

2. Accounting Policies

Basis of Accounting

These Financial Statements are prepared in accordance with the Housing SORP 2018: (Statement of Recommended Practice for registered social housing providers), the Housing and Regeneration Act 2008, the Co-operative and Community Benefit Societies Act 2014, the Accounting Direction for Private Registered Providers of Social Housing 2022 and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102"). The Association has taken the exemption not to restate business combinations that took place prior to 1st April 2014.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements. The accounts are prepared under the historical cost basis of accounting and are presented in pounds sterling and, unless otherwise noted, amounts are rounded to the nearest £'000.

Going Concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted in the business plan updated for 2024/25 and therefore we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Our net current liability position at the 31st March 2024 was expected and is not considered to be a going concern issue. The net liability position was a result of reduced cash balances held at the year-end with undrawn secured loans, of which there were £42m (as at 31st March 2024), only being drawn when necessary for effective cashflow management.

Key Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on the amounts recognised in the financial statements.

Categorisation of Housing Properties

The Association has undertaken a review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that it does not hold any investment properties.

Development Expenditure

The Association capitalises development expenditure in accordance with the accounting policy described on Page 42. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

2. Accounting Policies (Continued)

Impairment

The Association considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Association also considered expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive Income.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the Association performs impairment tests based on fair value less costs to sell or a value in use calculation. During 2023/24 the Association has not identified any triggers for impairment.

Key Estimates and Assumptions

Key Estimates applied in the preparation of these financial statements:

Tangible Fixed Assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values. The carrying value of the tangible fixed assets at the 31st March 2024 was £242,018k.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuations, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis they do not represent high quality bonds. The mortality rate is based on publicly availably mortality tables for the specific sector. Future salary increases are based on expected future inflation rates for the respective sector. Further details are given in note 12.

We have undertaken some sensitivity analysis in relation to the assumptions used to calculate the pension deficit as outlined in note 12. The impact on the estimated pension provision of any movement in the assumption is outlined in the table below.

Assumption	Change in Assumption	Pension Provision Impact – (Increase)/Decrease
Discount Rate	+ 0.1% p.a	£121k
Inflation Rate	+0.1% p.a	(£105k)
Salary Growth	+0.1% p.a	(£2k)

2. Accounting Policies (Continued)

Housing Properties

Housing properties are stated at their historical cost less depreciation and any provision for impairment. Costs include the costs of acquisition, construction, a fair proportion of direct and incremental internal staff time engaged on the development of the housing properties, interest which is capitalised up to practical completion and expenditure incurred in respect of improvements. Properties are transferred from schemes under construction to completed schemes on practical completion.

Improvements are works which result in an enhancement of the economic benefits of the asset to the Association arising from an increase in the net rental income over the life of the asset, such as a reduction in future maintenance costs, or which result in a significant extension of the useful economic life of the property in the business.

The Association operates a component accounting policy in relation to the capitalisation and depreciation of its completed housing property stock. All housing properties are split between their land, structure costs and a set of major components which require periodic replacement. Refurbishment or replacement expenditure on such major components is capitalised and depreciated over the estimated useful economic lives of the components. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

These useful economic lives are as follows:

Component	Useful Economic Life (Years)
Structure	100
Roof	60
Windows & Doors (incl. Fire Doors)	30
Kitchen	20
Bathroom	30
Boiler (inc Air Source Heat Pumps)	15
Electrics	30
Heating	30
Flooring (No Service Chargeable)	20
Cladding	25
Insulation (Cavity Wall, Loft & External Wall)	30-50
Damp Works	20
Service chargeable Communal replacements	3-30
Garage Additions	20
Solar Panels	25
Ventilation Systems	10

The estimated useful economic life for each component has been based on the Association's current experience of component replacement. We are working with our Asset Management Teams to review the useful economic life (UEL) experience for energy efficiency components; where currently a range in UEL has been offered pending more detailed data on lifecycle becoming available. The Association will continue to monitor and review the useful economic lives of all components and make revisions where sustained material changes arise.

2. Accounting Policies (Continued)

Depreciation of Housing Properties
Depreciation is provided to write down the cost of housing properties, other than freehold land, to their estimated residual value on a straight-line basis over their expected useful economic life. Freehold land is not depreciated.

Low-Cost Home Ownership (LCHO)/Shared Ownership Properties
The costs of shared ownership properties are split between current and tangible fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a tangible fixed asset and subsequent sales treated as sales of fixed assets/property sales in operating profit.

Capitalisation of interest and management costs
Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the properties into their intended use.

Property managed by agents
Where the Association carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income. Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Association.

In both cases, the assets and associated liabilities are included in the Association's Statement of Financial Position.

Other Fixed Assets and Depreciation
Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The following annual rates are used:

i)	Freehold office premises	2% to 5%
ii)	Office furniture, fittings and equipment	10% to 33%
iii)	Computer equipment	20% to 33%

Intangible Fixed Assets and Amortisation
The Association establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. The estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provision that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Purchased goodwill (representing the surplus of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1st January 1998 is capitalised. Positive goodwill is amortised to nil by annual instalments over its estimated useful life of 20 years

2. Accounting Policies (Continued)

Short Term Debtors & Creditors
Debtors and creditors with no stated interest rate; receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

- **Tenant Arrears, Trade and Other Debtors**

Tenant arrears, trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

- **Trade and Other Creditors**

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example where payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at the market rate of interest for a similar debt instrument.

Mortgage Debtor Properties (HomeBuy)
The Association participated in a scheme to lend a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of social housing grant (SHG). On redemption:

- The SHG is recycled
- The SHG is written-off, if a loss occurs
- The Association keeps any surplus

Homebuy loans are treated as concessionary loans and are initially recognised at the amount paid to the purchaser and reviewed annually for impairment.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash balances which are reflected at transaction value.

Bad Debt Provision
The Association holds a provision for bad and doubtful debts. 100% of former tenant arrears are provided for at the point of tenancy termination. The Association provides for 20% of all current tenant arrears.

Provisions
Provisions represent the Association's liabilities to carry out future repairs on managed schemes as detailed in Note 24.

John Pease Cottages
North Star Housing Group is the Corporate Trustee of John Pease Cottages (JPC), an almshouse charity. JPC owns 4 properties and exists to provide housing for persons in need with a preference given to those who are members of the Society of Friends. JPC is registered charity and registered with the RSH. The financial performance of JPC is no consolidated into the financial performance of North Star Housing Group on the basis that the impact is not material.

2. Accounting Policies (Continued)

Categorisation of Loans

Under FRS102 the financial instruments of the Association have been classified as Basic Financial Instruments in accordance with Paragraphs 11.8 and 11.9 of FRS102. Interest payable is calculated using the effective interest method of the difference between the loan amount on initial recognition and amount of maturity of the related loan and is charged to the Statement of Comprehensive Income in the year.

Social Housing and Other Government Grants

Social Housing Grant (SHG) is utilised to subsidise the capital costs of housing properties. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. All SHG received by the Association is to assist with the cost of development of its housing properties, and therefore there is an ongoing linkage between the cost of constructing housing properties and Government grant.

SHG is initially recognised at fair value as a long term liability, specifically as deferred grant income, and released through the Statement of Comprehensive Income as turnover over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords holding housing properties at cost.

On the disposal of properties, all associated SHG is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the Social Housing Grant funding regime.

Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties. Where recycled grant is known to be repayable it is shown as a creditor within one year.

Restricted Reserves

Restricted reserves represent amounts that are set aside for specific purposes where their use is subject to external restrictions. These restrictions arose from the stock transfer with Teesdale Council (now Durham County Council). The Association agreed to ring fence a portion from its share of the proceeds from Right to Buy sales to a restricted reserve for use only to develop additional social housing in Teesdale.

Turnover & Revenue Recognition

Turnover of the Association represents rental income, service charges, amortised capital grant, revenue grants from Local Authorities and Homes England, other income receivable from properties owned or managed by the Association and income from the sale of shared ownership properties.

Rental Income is recognised when the property is available for let, net of void loss. Income from property sales is recognised upon legal completion. Supporting People Income is recognised under the contractual arrangements.

Sale of properties developed for shared ownership are included in turnover and cost of sales and are recognised on legal completion.

Service Charges

Service charge income and costs are recognised on an accrual's basis. The Association operates variable service charges on a scheme-by-scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit

2. Accounting Policies (Continued)

from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Where periodic expenditure is required, the Association will incur a capital cost on behalf of residents and recharge the depreciation through the service charge until full recovery is made.

Supported Housing Schemes Managed by Agents

Social housing capital grants are claimed by the Association as developer and owner of the property and included in the Statement of Financial Position of the Association. The treatment of other Income and Expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Association and its managing agents and on whether the Association carries the financial risk.

Where the Association holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project's Income and Expenditure is included in the Statement of Comprehensive Income (Note 3).

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the Statement of Comprehensive Income includes only that Income and Expenditure which relates solely to the Association. Other Income and Expenditure of projects in this category are excluded from the Statement of Comprehensive Income (Note 3).

Taxation

The Association is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 meeting the definition of charitable companies for UK corporation tax purposes.

Accordingly, the afore referenced undertakings are potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

VAT

The Association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The Financial Statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue & Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Leased Assets

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Holiday Pay Accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement and accrued at the reporting date.

Right to Buy Sales

The gains or losses on disposal of social housing properties under Right to Buy arrangements are calculated as being the difference between the proceeds of a sale of a property and the balance sheet value of the property.

The gains or losses on disposal of Right to Buy properties are recognised in the Statement of Comprehensive Income at the date of transfer of title after deducting the element of proceeds

2. Accounting Policies (Continued)

that is payable to the Local Authority under the Right to Buy sharing arrangement.

Pension Costs

The Association operates a Defined Contribution Scheme under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

The costs of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates and future pensions increases.

Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rates are based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 12.

Social Housing Pension Scheme

- The SHPS surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Scheme surplus/deficit is split between operating charges, finance items and, in the Statement of Comprehensive Income, actuarial gains and losses.

- Pension plan assets are measured at fair value and the defined benefit obligation is measured on an actuarial basis using the projected unit method. Further details of the assumptions and the pension plans are in Note 12.

3. Turnover, Operating Expenditure and Operating Surplus

	2024			2023		
	Turnover £000	Operating Expend. £000	Operating Surplus £000	Turnover £000	Operating Expend. £000	Operating Surplus £000
Social housing lettings	**24,267**	**(19,005)**	**5,262**	21,934	(17,166)	4,768
Other social housing activities						
First tranche low-cost home ownership sales	-	-	-	88	(88)	-
Charges for support services	**348**	-	**348**	322	-	322
Other	**11**	-	**11**	15	-	15
	359	-	**359**	425	(88)	337
Activities other than social housing						
Other	**23**	-	**23**	22	-	22
Total	**24,649**	**(19,005)**	**5,644**	22,381	(17,254)	5,127

3. Turnover, Operating Expenditure and Operating Surplus (Continued)

	General Housing	Supported Housing (including housing for older people)	LCHO	Other Housing	Total 2024	Total 2023
	£000	£000	£000	£000	£000	£000
Turnover from social housing lettings						
Rent receivable net of identifiable service charges	16,921	2,694	24	117	19,756	17,865
Service charge income	202	2,443	11	-	2,656	2,357
Charges for support services	-	19	-	-	19	26
Net rental income	17,123	5,156	35	117	22,431	20,248
Amortised Government Grants	710	279	2	-	991	945
Other income from lettings	1	838	-	-	839	733
Other grants	6	-	-	-	6	8
Turnover from social housing lettings	17,840	6,273	37	117	24,267	21,934
Expenditure on social housing lettings						
Management	2,801	2,207	-	56	5,064	4,811
Service charge costs	585	1,823	-	15	2,423	2,006
Routine maintenance	3,533	994	9	73	4,609	3,744
Planned maintenance	1,133	750	2	3	1,888	1,739
Major repairs expenditure	1,167	125	-	2	1,294	1,294
Bad debts	72	10	(1)	5	86	145
Lease Costs	20	194	-	57	271	263
Depreciation of housing properties	2,744	614	12	-	3,370	3,164
Operating expenditure on social housing lettings	12,055	6,717	22	211	19,005	17,166
Operating surplus/(deficit) on social housing lettings	5,785	(444)	15	(94)	5,262	4,768
Void losses	(139)	(171)	-	(10)	(320)	(314)

4. Accommodation in Management and Development

	No. of Properties 2024		No. of Properties 2023	
	Owned	Managed	Owned	Managed
SOCIAL HOUSING	No.	No.	No.	No.
Under Development at Year End				
General Needs Housing Affordable Rent	84	-	130	-
Supported Housing at Affordable Rent	7	-	6	-
	91	-	136	-
Under Management at Year End				
General Needs Housing Social Rent	2,245	44	2,227	26
General Needs Housing Affordable Rent	1,029	-	961	1
Supported Housing	266	-	275	-
Housing for Older People	193	-	193	-
Intermediate Rent	10	-	10	-
Low-Cost Home Ownership	16	-	16	-
	3,759	44	3,682	27

	2023	Additions	Disposals	Movements	2024
Summary Owned and/or Managed	No.	No.	No.	No.	No.
General Needs Housing at Social Rent – Owned & Managed	2,227	12	(1)	7	2,245
General Needs Housing at Social Rent – Managed for Others	26	21	(3)	-	44
General Needs Housing at Affordable Rent	962	69	(1)	(1)	1,029
Supported Housing at Social Rent	407	2	(2)	(6)	401
Housing for Older People at Social Rent	193	-	-	-	193
Intermediate Rent	10	-	-	-	10
Low-Cost Home Ownership	29	-	-	-	29
	3,854	104	(7)	-	3,951

Where other organisations manage accommodation owned by the Association and those organisations carry the financial risks associated with management, then the Income and Expenditure accounts of the Association include only the Income and Expenditure which relates solely to the Association.

There were a further 4 (2023: 3) general needs affordable rent units which had reached practical completion but had not been handed over to housing management by 31 March 2024.

The Association owns 148 (2023: 145) supported housing units and registered care homes as set out in Note 5 that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

5. Accommodation Managed by Others

The number of units managed by the Association as at 31st March was as follows:

	2024	2023
SOCIAL HOUSING	**No.**	No.
Under Management at Year End		
Supported Housing	132	129
Registered Care Homes	3	3
Low costs Home Ownership	13	13
	148	145

6. Operating Surplus

This is arrived at after charging/(crediting):

	2024 £000	2023 £000
External Auditor's remuneration in their capacity as auditors (excluding VAT)	37	34
Depreciation of housing properties	3,370	3,164
Depreciation of other tangible fixed assets	195	186
Surplus on sale of Fixed assets	-	(115)
Operating lease rentals (Land and Buildings)	271	263
Amortised government grants	(991)	(945)

7. Surplus on Disposal of Fixed Assets

	2024 £000	2023 £000
Disposal proceeds	-	210
Carrying value of fixed assets and costs of disposal	-	(55)
Retained by Durham County Council	-	(40)
	-	115

In relation to the original Teesdale Housing Association properties, Durham County Council retains a proportion of Right to Buy sale proceeds as agreed under the Transfer Agreement.

8. Net Interest

Interest Receivable and Similar Income

	2024 £000	2023 £000
Interest Receivable and Similar Income	6	5
Interest Receivable from short term deposits	47	20
	53	25

8. Net Interest (continued)

Interest Payable and Financing Costs

	2024 £000	2023 £000
On Loans wholly or partly repayable in more than 5 years	3,038	2,724
Amortisation of loan fees	67	18
Other interest expense on SHPS (pension scheme Note 12)	78	45
Other interest payable	4	1
	3,187	2,788
Less interest capitalised on Housing Properties under construction (Note 14)	(222)	(107)
	2,965	2,681

9. Payments to Members of the Board

The members of the Board received the following emoluments:

	2024 £000	2023 £000
Relating to North Star Housing Group Board membership	61	55
	61	55

	2024 £	2023 £
Anna Urbanowicz	11,559	10,695
David Lyall	4,833	4,517
Jason Ridley	6,571	6,131
Claire Warren	7,075	6,612
Mark Thompson	4,833	4,517
Graeme Allinson	4,833	4,517
Simon Wake	4,833	4,517
David Walker	4,833	4,517
Nicki Clarke	4,833	4,517
Joanne Todd	4,833	4,517
Manisha Sharma	2,417	-
	61,453	55,057

Expenses reimbursed to members of the Association's Board were £2,648 *(2023: £1,786)*.

10. Directors' Emoluments

The remuneration of the Chief Executive, who was also the highest paid director in the year, was as follows:

	2024 Gross Pay*	Basic salary	National Insurance contributions	Pension contributions	Total	2023 Total
	£000	£000	£000	£000	£000	£000
Chief Executive Officer	**150**	**125**	**16**	**39**	**180**	170

*Gross Pay prior to Salary Sacrifice

The Chief Executive is an ordinary member of the Social Housing Pension Scheme, has no enhanced or special pension terms and has no other pension arrangements to which the Association contributes. Pension contributions during the year totalled £39k (*2023: £25k*).

Staff members are able to make pension contributions via a salary sacrifice arrangement. For staff members opting into the scheme, employer pension contributions were increased in favour of an equal and opposite reduction in salary. The total remuneration payable to staff remained unchanged.

The remuneration of the Executive Directors (being the key management personnel) in the year was as follows:

	2024 Gross Salary*	Basic Salary	National Insurance contributions	Pension contributions	Total	2023 Total
	£000	£000	£000	£000	£000	£000
Executive Director of Finance & Business Support and Company Secretary	**117**	**115**	**15**	**14**	**144**	138
Executive Director of Customers	**75**	**132**	**14**	**5**	**151**	116
Executive Director of Assets & Growth	**116**	**107**	**14**	**20**	**141**	134
Executive Director of People & Culture	**99**	**95**	**12**	**14**	**121**	114
Aggregate emoluments of Executive Directors	**407**	**449**	**55**	**53**	**557**	502
Aggregate emoluments of Executive Directors including Chief Executive & Board Members (Key Management Personnel)	**618**	**635**	**71**	**92**	**798**	727

*Gross Pay prior to Salary Sacrifice

11. Employees

Average monthly number of employees expressed in full time equivalents and are calculated based on a standard working week of 35 hours.

	2024 No.	2023 No.
Office Staff	**87**	85
Wardens, Caretakers and Cleaners	**2**	2
	89	87

	2024 £000	2023 £000
Wages and salaries	**3,851**	3,624
Social security costs	**389**	394
Pension costs: Social Housing Pension Scheme	**336**	241
	4,576	4,259

At 31 March 2024 nil (2023 £1k) was outstanding in respect of unpaid pension contributions.

Aggregated number of full-time equivalent number of staff (including directors) whose remuneration payable in the year fell above £60,000 was:

	2024 No.	2023 No.
£60,001 - £70,000	**4**	6
£70,001 - £80,000	**5**	2
£80,001 - £90,000	**1**	-
£90,001 - £100,000	**-**	-
£100,001 - £110,000	**1**	2
£110,001 - £120,000	**-**	-
£120,001 - £130,000	**2**	2
£130,001 - £140,000	**1**	-
£140,001 - £150,000	**-**	-
£150,001 - £160,000	**-**	1
£160,001 - £170,000	**1**	-

Loans totalling £70.8k have been made to employees in the year (2023: £70.8k). All loans are at a fixed rate of interest with the term of the loans not exceeding 5 years.

12. Pension Obligations

The Social Housing Pension Scheme (SHPS)

The Association participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

12. Pension Obligations (continued)

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30th 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 last completed triennial valuation of the scheme for funding purposes was carried out as at 30th September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit 31 March 2028.

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.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30th September each year. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2023. The liability figures from this valuation were rolled forward for the accounting year-ends from the following 31 March 2024 to 29 February 2025 inclusive.

The liabilities are compared at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus.

The financial assumptions underlying the latest valuation of the Scheme for FRS102 purposes were as follows:

	31st March 2024	31st March 2023
	%	%
Discount Rate	**4.9**	4.87
RPI Inflation	**3.15**	3.19
CPI Inflation	**2.78**	2.75
Salary Increases	**3.78**	3.75
Allowance for Commutation of Pension for cash at retirement	**75% of maximum allowance**	75% of maximum allowance

12. Pension Obligations *(continued)*

The approximate split of assets of the Scheme as a whole are as follows:

	Asset Split at 31st March 2024 £000	Asset Split at 31st March 2023 £000
Global Equities	**786**	148
Absolute Return	**308**	86
Distressed Opportunities	**278**	240
Credit Relative Value	**258**	299
Alternative Risk Premia	**250**	15
Emerging Markets Debt	**102**	43
Risk Sharing	**461**	584
Insurance –Securities	**41**	200
Property	**317**	341
Infrastructure	**796**	906
Private Equity	**6**	-
Private Debt	**310**	353
Opportunistic Illiquid credit	**308**	339
High Yield	**1**	28
Credit Opportunities	**-**	1
Cash	**156**	57
Long Lease Property	**51**	239
Secured Income	**235**	364
Liability Driven Investments	**3,208**	3,653
Currency Hedging	**(3)**	15
Net Current Assets	**14**	20
Total Assets	**7,883**	7,931

The mortality assumptions adopted at 31 March 2024 imply the following life expectancies

	Life expectancy at age 65 (Years)	Life expectancy at age 65 (Years)
Male retiring in 2024 (2023)	20.5	21.0
Female retiring in 2024 (2023)	23.0	23.4
Male retiring in 2044 (2043)	21.8	22.2
Female retiring in 2044 (2043)	24.4	24.9

The mortality assumptions adopted at 31 March 2024 imply the following life expectancies

	Life expectancy at age 65 (Years)	Life expectancy at age 65 (Years)
Male retiring in 2024 (2023)	20.5	21.0
Female retiring in 2024 (2023)	23.0	23.4
Male retiring in 2044 (2043)	21.8	22.2
Female retiring in 2044 (2043)	24.4	24.9

12. Pension Obligations (continued)

The estimated net pension deficit at the end of the year is as follows:

	Value at 31st March 2024 £000	Value at 31st March 2023 £000
Fair value of plan assets	7,883	7,931
Present value of defined benefits obligation	(9,697)	(9,714)
Net (deficit)	(1,814)	(1,783)

	Value at 31st March 2024 £000	Value at 31st March 2023 £000
Defined benefit obligation at 1st April	9,714	13,790
Expenses	8	8
Interest expense	467	380
Actuarial (gain) due to scheme experience	(30)	(115)
Actuarial (gain) due to changes in demographic assumptions	(112)	(23)
Actuarial (gain) due to changes in financial assumption	(28)	(3,996)
Benefits paid and expenses	(322)	(330)
Defined benefits obligation at 31st March	9,697	9,714

	Value at 31st March 2024 £000	Value at 31st March 2023 £000
Fair value of plan assets at 1st April	7,931	11,989
Interest income	389	335
Experience on plan assets (excluding amounts included in interest income – (loss)	(537)	(4,464)
Employer contributions	422	401
Benefits paid and expenses	(322)	(330)
Fair value of plan assets at 31st March	7,883	7,931

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2023 to 31 March 2024 was (£148,000) (2023: (£4,129,000).

12. Pension Obligations (continued)

Analysis of amounts charged to Statement of Comprehensive Income

	2024 £000	2023 £000
Expenses	8	8

Analysis of amounts (charged)/credited to other finance cost

	2024 £000	2023 £000
Expected return on Scheme assets	389	335
Interest on Scheme liabilities	(467)	(380)
	(78)	(45)

12. Pension Obligations (continued)

Defined benefit cost recognition Other Comprehensive Income (OCI)

	Value at 31st March 2024 £000	Value at 31st March 2023 £000
Experience on plan assets (excluding amounts included in interest income – (loss)	**(537)**	(4,464)
Experience of gains and losses arising on the plan liabilities- gain	**30**	115
Effects of changes in the demographic assumptions underlying the present values of the defined benefits obligations – gain	**112**	23
Effects of the changes in the financial assumptions underlying the present value of the defined benefits obligations- gain	**28**	3,996
Total amount recognised in the Other Comprehensive Income – (loss)	(367)	(330)

Analysis of amounts recognised in the Statement of Comprehensive Income

	2024 £000	2023 £000
Actuarial (loss)	**(367)**	(330)

The Social Housing Pension Scheme (SHPS) Growth Plan

The organisation participates in the scheme, a multi-employer scheme which provides benefits to some 638 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the organisation 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 organisation 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.

12. Pension Obligations (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2022 to 31 January 2025: £3,312,000 per annum (payable monthly)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies. Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025: £11,243,000 per annum (payable monthly and increasing by 3% 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 organisation 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.

Reconciliation of opening and closing provision

	2024	2023
	£000	£000
Provision at 1st April	**(3)**	(5)
Deficit contribution paid	**2**	2
Provision at 31st March	**(1)**	(3)
Amounts falling due within one year	1	2
Amounts falling due after more than one year	-	1
	1	3

12. Pension Obligations (continued)

Assumptions

	2024 % per annum	2023 % per annum
Rate of discount	**5.31**	5.52

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the organisation and the scheme at each year end period:

Deficit contributions schedule

	2024 £	2023 £
Year 1	**1,434**	1,721
Year 2	-	1,434

The organisation must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e., the unwinding of the discount rate as a finance cost in the period in which it arises. It is these contributions that have been used to derive the Association's balance sheet liability.

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before mid-2025 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m. We note that this estimate has been calculated as at the 30th September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

13. Tax on Surplus on Ordinary Activities

	2024 £000	2023 £000
Total Tax Charge in the Statement of Comprehensive Income	-	-
Current tax reconciliation		
Surplus on ordinary activities before taxation	**2,700**	2,554
Theoretical tax at UK corporation rate 25% *(2023: 19%)*	**(675)**	(485)
Effects of:		
Charitable income not taxable	**675**	485
	-	-

14. Tangible Fixed Assets – Housing Properties

	Completed properties For rent £000	*LCHO £000	Under construction For rent £000	Total £000
Cost				
At 1st April 2023	250,271	935	4,062	255,268
Development of New Properties	148	-	17,025	17,173
Works to Existing Properties	5,512	6	-	5,518
Interest Capitalised	-	-	222	222
Disposals	(380)	-	-	(380)
Schemes Completed	13,173	-	(13,173)	-
At 31st March 2024	268,724	941	8,136	277,801
Depreciation				
At 1st April 2023	34,025	136	-	34,161
Charge for year	3,358	12	-	3,370
Disposals	(380)	-	-	(380)
At 31st March 2024	37,003	148	-	37,151
Impairment				
At 1st April 2023 and 31st March 2024	191	-	-	191
Net book value				
At 31st March 2024	231,530	793	8,136	240,459
At 31st March 2023	216,055	799	4,062	220,916

*Low Cost Home Ownership

	2024 £000	2023 £000
Housing properties cost comprises:		
Freehold	230,520	211,225
Long leasehold	9,939	9,691
	240,459	220,916

	2024 £000	2023 £000
Expenditure on works to housing properties:		
Amount capitalised	5,518	2,834
Amount charged to Income and Expenditure account	1,294	1,294
	6,812	4,128

Freehold land and buildings with a carrying amount of £181,983k (2023: £159,441k) have been pledged to secure borrowings of the Association.

15. Tangible Fixed Assets – Other

	Freehold office premises £000	Office furniture fittings and equipment £000	Computer equipment £000	Total £000
Cost				
At 1st April 2023	1,978	285	679	2,942
Additions	88	2	419	509
Disposals	-	-	(77)	(77)
At 31st March 2024	2,066	287	1,021	3,374
Depreciation				
At 1st April 2023	361	132	347	840
Charge for year	18	29	148	195
Disposals	-	-	(77)	(77)
At 31st March 2024	379	161	418	958
Impairment				
At 1st April 2023 and 31st March 2024	857	-	-	857
Net Book Value				
At 31st March 2024	**830**	**126**	**603**	**1,559**
At 31st March 2023	**760**	**153**	**332**	**1,245**

The £857k impairment provision relates to the difference between the actual costs held in the accounts compared to the most recent valuation (February 2019) after the completion of the refurbishment works carried out at the Registered Office, St. Mark's Court, Thornaby, Stockton-on-Tees, TS17 6QN completed in 2018/19.

16. Intangible Fixed Assets

	Goodwill £000
Costs	
At 1st April 2023 and 31st March 2024	**630**
Amortisation	
At 1st April 2023	530
Charge for year	32
At 31st March 2024	**562**
Net book value	
At 31st March 2024	68
At 31st March 2023	100

Goodwill of £630k arising on the acquisition by Teesdale Housing Association of assets and liabilities from Teesdale District Council is being amortised over 20 years, being the period over which the Board believes that the Association will continue to derive economic benefit.

17. Investments

	2024 £000	2023 £000
Other Investment	**30**	30
	30	30

The Association is a shareholder in MORhomes, a borrowing vehicle for the social housing sector. Over 60 Housing Associations have come together to set up a new PLC whose public debt is listed on the London Stock Exchange. MORhomes raises finance on the bond markets and lends it on to Housing Associations.

18. Debtors

	2024 £000	2023 £000
Due within one year		
Arrears of rent and service charge	**820**	1,041
Less: provision for doubtful debts	**(253)**	(252)
	567	789
Other debtors	**270**	247
Loan to managed Association (John Pease Cottages)	**20**	-
Prepayments and accrued income	**1,306**	1,584
	2,163	2,620
Due after more than one year		
Loan to managed Association (John Pease Cottages)	**75**	101
Employee loans	**88**	65
Mortgage debtors	**44**	94
	207	260
	2,370	2,880

19. Creditors: amounts falling due within one year

	2024 £000	2023 £000
Housing loans (Note 23)	**41**	37
Other taxation and social security	**5**	1
Trade creditors	**603**	305
Other creditors	**812**	296
Accruals and deferred income	**4,422**	3,395
Rents and service charge paid in advance	**186**	201
Deferred income – grant (Note 21)	**1,027**	944
Pension Growth plan (Note 12)	**1**	2
	7,097	5,181

Loans are secured by Housing Properties, see note 14.

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

	2024 £000	2023 £000
Housing loans (Note 23)	**118,674**	111,241
Deferred Income Grant (Note 21)	**81,991**	79,395
Recycled Capital Grant Fund (RCGF) < 3 years (Note 22)	**67**	111
Pension Growth Plan (Note 12)	**-**	1
	200,732	190,748

Loans are secured by Housing Properties, see note 14.

21. Deferred Capital Grant

	2024 £000	2023 £000
Cost at 1st April	**97,320**	94,722
Additions in the year	**3,670**	2,598
Disposals in the year	**-**	-
At 31st March	**100,990**	97,320
Amortisation at 1st April	**16,981**	16,036
Charge in the year	**991**	945
Disposals in the year	**-**	-
At 31st March	**17,972**	16,981
Deferred income total at 31st March	**83,018**	80,339

21. Deferred Capital Grant (continued)

	2024 £000	2023 £000
Amounts falling due within one year	**1,027**	944
Amounts falling due after more than one year	**81,991**	79,395
	83,018	80,339
Recognised in the Statement of Comprehensive Income	**17,972**	16,981
Held as deferred income	**83,018**	80,339
	100,990	97,320

The total accumulated amount of financial assistance and other Government grant received or receivable at the balance sheet date, based upon the properties owned at that date, was recognised as outlined above.

22. Recycled Capital Grant Fund

	2024 £000	2023 £000
Opening balance	**111**	170
Inputs to fund	**-**	-
Grants recycled	**-**	-
Interest accrued	**4**	1
	115	171
Recycling of grant		
New build	**(48)**	(60)
Repayment of grant to Homes England	**-**	-
Closing balance	**67**	111

23. Housing Loans Analysis

Housing loans from private lenders are secured by fixed charges on individual properties.

Housing loans are repayable via a profile of instalments or 'bullet' repayments as outlined in the facility loan agreements. The organisation has facilities at both fixed and variable rates of interest ranging from 2.22% to 10.91%. The final redemption payment against existing loan facilities falls due in 2060.

At 31st March 2024 the Association had undrawn facilities of £42m (2023: £25m), consisting of an undrawn revolving credit facility of £30m and access to a further £12m upon a term loan facility. The maturity profile of the Associations borrowings is as follows:

23. Housing Loans Analysis (continued)

	2024 £000	2023 £000
Within one year	**41**	37
Between one and two years	**46**	41
Between two and five years	**1,034**	154
In five years or more	**118,175**	111,101
Unamortised loan fees	**(581)**	(55)
	118,715	111,278

24. Provisions for Liabilities and Charges

	2024 £000	2023 £000
Opening balance	**90**	125
Income (increase in provision in the year)	**82**	12
Expenditure	**(103)**	(47)
Closing balance	**69**	90

The provision exists for the costs of future repairs across two schemes.

25. Non-Equity Share Capital

	2024 £	2023 £
Shares of £1 each Issued and fully paid		
At 1st April	10	10
Shares issued during the year	1	-
Shares surrendered during the year		-
At 31st March	**11**	10

The shares do not provide members with any rights to dividends or distribution on winding up.

26. Capital Commitments

	2024	2023
	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**10,727**	9,341
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**20,941**	10,715

The Association expects these commitments to be contracted within the next year and financed with:

Committed Loan Facilities	27,980	17,013
Social Housing Grant	3,688	3,043

27. Operating Lease Commitments

Total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2024	2023
	£000	£000
Land & Buildings:		
Less than one year	232	253
Between two and five years	564	758
More than five years	255	298
Others:		
Less than one year	31	43
Between two and five years	12	40
	1,094	1,392

During the year £271k was recognised as an expense in the Statement of Comprehensive Income in relation to operating leases *(2023: £263k)*.

28. Related Party Transactions

During the year the following transactions arose between the Association and John Pease Cottages:

	2024	2023
	£000	£000
Management expenses recharged to John Pease Cottages	**5**	5
Day to day repairs recharged to John Pease Cottages	**9**	8

John Pease Cottages is an almshouse of four properties where the Association provides housing management and maintenance services.

During 2020/21 the Association entered into a loan agreement with John Pease Cottages, details are disclosed in Note 18. The loan made to John Pease Cottages is for an amount up to £150k. The facility comprises of a £75k 30-year term loan and a £75k five-year revolving credit facility. Other related party transactions and balances in relation to John Pease Cottages are disclosed in Note 18.

29. Analysis of Changes in Net Debt

	As at 1st April 2023 £000	Cash flows £000	Other non-cash items £000	At 31st March 2024 £000
Cash	7,055	(5,072)	-	1,983
Bank loans due within one year	(37)	37	(41)	(41)
Bank loans due after more than one year	(111,296)	(8,000)	41	(119,255)
Unamortised Fees	55	593	(67)	581
	(104,223)	(12,442)	(67)	(116,732)