



Endeavour Housing Association Limited

Report of the Board and Financial Statements  
Year Ended 31<sup>st</sup> March 2020

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## Board Members, Executive Directors, Advisors and Bankers

<b>Board</b>	Linda Bird (resigned 31 <sup>st</sup> March 2020) Pat Buckley (resigned 10 <sup>th</sup> September 2019) Paul Craggs Jed Lester (Chair – resigned 31 <sup>st</sup> March 2020) Margaret Smith Anna Urbanowicz Peter Waugh (Chair – appointed Chair 1 <sup>st</sup> April 2020) Ann Worrall-Davies David Lyall Jason Ridley Morgan McClintock (resigned 31 <sup>st</sup> March 2020) Claire Warren (appointed 1 <sup>st</sup> January 2020) Mark Thompson (appointed 1 <sup>st</sup> July 2020)
<b>Independent Group Audit Committee Member</b>	Graeme Allinson (appointed 1 <sup>st</sup> July 2020)
<b>Group Chief Executive</b>	Angela Lockwood
<b>Executive Directors</b>	Emma Speight, Executive Director of Assets and Growth James Walder, Executive Director of Finance & Business Support and Company Secretary Adam Clark, Executive Director of Customers (appointed 27 <sup>th</sup> August 2019)
<b>Registered office</b>	Endeavour House St. Mark's Court Thornaby Stockton-on-Tees TS17 6QN
<b>Registered numbers</b>	Co-operative & Community Benefit Societies Act 2014 – registered number 21256R Regulator of Social Housing - registered number LH0084
<b>Auditor</b>	Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE
<b>Principal Bankers</b>	Lloyds Corporate Markets Lloyds Banking Group 25 Gresham Street London EC2V 7HN

## Report of the Board

### Results for the year

The Board presents its Annual Report and the audited Financial Statements for the year ended 31<sup>st</sup> March 2020.

### Group Structure and Activities

North Star Housing Group (the Group) comprises North Star Housing Group Limited (the Parent), a non-charitable non-asset holding Housing Association (HA) and a registered society under the Co-operative and Community Benefit Societies Act 2014, and its Subsidiaries, Endeavour Housing Association Limited (EHA), Teesdale Housing Association Limited (THA) and Darlington Housing Association (DHA) (the Subsidiaries), all of which are charitable, asset owning Housing Associations and registered societies.

The principal activity of the Subsidiaries is the provision of affordable rented accommodation for people with a diversity of needs and aspirations. The Parent is charged with responsibility for exercising overall control of the Group in accordance with the principles of good governance. The primary roles of the Parent are the establishment of the Group's strategic and policy framework and the provision of central services, such as Finance, ICT, HR and Development to the Subsidiaries. These services are provided under the terms of an Intra-Group Agreement and Service Level Agreements.

### Results for the Year

The Association achieved an operating surplus for the year of £3,967k (2019: £4,215k) and an overall surplus for the year of £1,519k (2019: £506k). The results for the prior year include an exceptional cost of £1,079k, the majority of which relates to the refurbishment of Group's Head Office, Endeavour House.

### Review of the Year and Future Developments

We are very pleased to report another year of strong performance for the Group.

We have operated in an economic environment where interest rates have been at historically low levels and inflation has fallen below the Bank of England target. The uncertainty around the United Kingdom leaving the European Union has influenced both these factors. In addition, COVID-19 is having a significant impact on businesses and the economy. With such a fast moving situation, the full analysis and detailed impact of COVID-19 is challenging to predict at this point, however we know there will be a downturn and we are preparing for this. Detailed stress tests and scenario planning are a constant.

We have delivered a very strong Group financial performance despite the implementation of the final year of rent reduction. The Value for Money section of this report contains further details about the performance of the Group during the year.

As part of our drive for efficiencies we launched our new customer portal - My North Star - that provides all tenant services online. This easy to use digital platform enables services to be accessed at any time, and frees up resource that is redeployed elsewhere in the business. By the end of the financial year 38% of tenants had signed up for the service with the numbers steadily increasing, demonstrating a good demand for this service.

We ended the year with overall customer satisfaction at 92.3% (which is slightly above our stretch target of 92%) and achieved the Tenants Participation Advisory Service pro accreditation to reflect the focussed work undertaken to involve customers.

We delivered 65 new homes for affordable rent through the Homes England Shared Ownership and Affordable Homes Programme, slightly short of our target of 68. We remain committed to supporting the Government to meet its strategic priority of increasing the supply of new homes in response to the housing crisis, which is a key driver for our current refinancing project,

We invested £1.5m to improve our properties as planned. This is part of our comprehensive asset management strategy that ensures existing stock is maintained to high standards. We are also completing work to determine the investment requirements to improve carbon efficiency across our stock.

A new staff "Time to Act" group was formed to reduce the carbon foot print of North Star with some notable successes. The members of this group are working on travel, property and offices to name but a few. A new Green travel policy is underway and detailed data is being analysed to inform our approach to new build properties to complement the work undertaken on existing stock. We have included some notional capital expenditure in our business planning as a starting point for potential investment.

Whilst we were pleased with our performance and in many areas we achieved the targets (more information in the VFM section), there were some areas that were more challenging and where the targets were missed. These areas were current tenant arrears, complaints handling and satisfaction with repairs and more information is set out on these in the Value for Money section.

We expect to see COVID-19 impact our customers and for this to affect some areas of performance in 2020/21. This will put pressure on voids and bad debts across the stock and may cause community fragility with increased poverty and deprivation. We have realigned our priorities accordingly to minimise the impact, and will adapt as it unfolds. Our frontline staff which include the communities and welfare rights teams are working collaboratively to ensure we have an agile and adaptable service in place to deal with emergent issues. Our supported housing schemes are vulnerable, especially where we have shared housing with increased sensitivity and longer planning needed to fill vacancies. During lockdown service disruption was kept to a minimum, staff relocated to home quickly and technology supported the change. We saw the acceleration of technology and the further expansion of agile working which will continue to develop as we move forward. The embedded culture of working with high levels of trust, influence and decision making, supports this way of operating. This will keep us flexible, fluid and prepared for the future.

The Group's operating environment in the North East is challenging because of a range of factors, including low demand for housing in some areas, high demand in others, a concentration of stock in deprived areas and an ageing population. The requirement for investment, regeneration, new housing and community focus is as strong as ever and we are committed to having a key role in providing solutions in line with our stated social purpose and values.

A significant piece of work that started during the year was the Group re-financing project. This is a major VFM initiative led by the Board Refinancing Working Group (RWG) to review the governance and funding structure of North Star. This six strong Board group has delegated authority to work with consultants to recommend a long term funding structure to increase development capacity, to enhance financial resilience, to simplify operations and deliver VFM. Also during the process the RWG is exploring Group consolidation with recommendations to Board on the best way to achieve this. The project is due to be completed by November 2020.

North Star has developed a culture of shared leadership across the whole organisation. We involve more people in all aspects of the organisation including decision making and we have developed an increasingly influential and accountable workforce. We invest in the development of people and we encourage leaderful behaviour in every role. We all engage in development and training in order to keep North Star strong and high levels of trust are central to how we operate. We are proud to have the Investors in People Platinum accreditation.

Our customers have real influence over our services and we proactively engage and listen to tenants. We have a strong track record in ensuring tenants' voices are heard and understood. Our Tenant Scrutiny Panel work closely with the Board to identify service areas that would benefit from tenant scrutiny. This provides the organisation with invaluable insight, advice and recommendations for improvements. It also enables Board and tenants to engage and collaborate. This direct connection is important and demonstrates high levels of openness and transparency.

North Star remains very strong in every respect, which can be attributed to strong governance, its focus on shared leadership and people, detailed risk management, highly effective cash management and focus on Value for Money. We were pleased to retain the top regulatory rating of G1/V1 following an 'In Depth Assessment' in December 2018 which was reaffirmed by the Regulator in November 2019.

## **Governance Structure**

During the year the Group operated under its established governance structure, which comprises:

- The Group Board.
- Endeavour Housing Association, Teesdale Housing Association and Darlington Housing Association subsidiary Boards.
- The Group Audit Committee.
- The Group Remuneration and Employment Conditions Committee.

The Group Board (the Board) meets at least six times a year for regular business and as an overlapping Board these meetings cover all members of the Group. The Group Audit Committee meets at least four times a year. In addition, working groups of Board members are convened for specific purposes as required during the year, with delegated authority from the Board. This structure is further supported by a tenant scrutiny group, the Tenants' Voice Scrutiny Panel (TVSP).

During the year there were working groups set up in relation to the recruitment of new Board members and the Refinancing project that is due to be completed in November 2020.

### **Corporate Governance**

The Association complies with the current Regulator of Social Housing (RSH) Governance and Financial Viability Standard. A self-assessment against the full Regulatory Standards has been completed for 2019/20 and no issues noted.

The Board has adopted the National Housing Federation (NHF) Code of Governance 2015 as it is considered by the Board to be most relevant to the nature of the Association's activities. A self-assessment against the Code has been completed for 2019/20 which demonstrates that our governance arrangements are compliant with all aspects of the Code.

The Association has an effective risk, governance and business planning framework, which includes:

- Maintaining a thorough, accurate and up to date record of its assets and liabilities, particularly those liabilities that may have a recourse to social housing assets.
- Carrying out detailed and robust stress testing against identified strategic risks and combinations of risks across a range of scenarios, and putting appropriate mitigation strategies in place as a result.

The Board continues to develop the governance framework to achieve best practice. The Board is committed to high standards of corporate governance, and has also adopted, and is compliant in all material respects with, the NHF's Code of Conduct 2012.

The Board has fully adopted the National Housing Federation Mergers, Group Structures and Partnerships – a voluntary code for housing associations.

There is an over-lapping Board structure in place providing a more streamlined governance structure whilst respecting local need and priorities. The Board is the Group's governing body and comprises up to 12 members. Members are drawn from a wide background, bringing professional, commercial, and local experience to their roles. There is in place a detailed Board succession plan, supported by an annual governance effectiveness review and an externally facilitated Board appraisal process. This review considers the performance of the Board as a collective and also the performance of each Board member. The Board had previously agreed that membership would be reduced to 10 Board members by 2020, with the reduction linked to a detailed succession plan which is reviewed annually. Board members are recruited on the basis of their skills. Where two candidates for Board membership have equal skills, the Board will opt to recruit the candidate that will best improve the Board's diversity.

The members of the Board who served during the year are set out on Page 1. Each member of the Board holds one North Star share of £1. None of the Group Senior Management Team (GSMT) holds any interest in the share capital of the Group. Board member remuneration levels are set with reference to National Housing Federation publications on Board pay with remuneration bands linked to organisations' financial turnover. These arrangements are reviewed at least every three years by an external consultant and were last reviewed in 2018.

The Board is responsible for the Group's strategy and policy framework. It delegates the day-to-day management and implementation to the Group Chief Executive and the rest of the GSMT. The GSMT comprises the Group Chief Executive, the Group Executive Director of Customers, the Group Executive Director of Assets and Growth, the Group Executive Director of Finance and Business Support and the Group Director of People and Culture. GSMT attend meetings of the Board.

In June 2018, the Board approved an updated set of Standing Orders that included revised Terms of Reference for the Group Audit Committee and Group Remuneration and Employment Conditions Committee.

The Group has insurance policies that indemnify members of the Board and senior officers against liability when acting for the Group.

### **Employees**

The Association 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 accreditation. Our people focus and relationships set us apart from many other housing providers and help to keep North Star strong.

### **Value for Money**

### **Our Five Year Vision and Strategy**

Our vision, 'Leading and Growing to 2023', which was agreed in 2018, detailed our objectives over a five year period. This is then distilled into an annual Corporate Plan. Within the vision, there are strategic and enabling objectives both of which have equal importance. The strategic objectives are:

#### Customers

We will co-design and shape outstanding services with our customers that work for the individual. Our customer base will be even more diverse and will include those who previously may not have considered North Star as an option. We will invest in communities to help them transform lives.

#### Growth

We intend to gain strength through ambitious growth in the development of new homes and the delivery of services to others. We will increase the number of homes that we own and manage by at least 500 by 2023.

The enabling objectives focus on culture, partnerships, profile and reputation, resources and technology and digitisation.

A sustained focus on Value for Money (VFM) is essential for achievement of our strategic objectives. To quote from the vision: *"achieving value for money is a constant for the business; not only is it a regulatory necessity, it underpins the health of the business. We are committed to an ambitious vision that requires us to find the resource and capacity to achieve this, and to provide value for money to our tenants. Balancing all of these priorities is challenging and essential"*.

### **The North Star Approach to Value for Money**

VFM is a constant for North Star. VFM is about doing more with our resources so that we can achieve our strategic 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 homes. Strong resource management is the engine that drives forward our vision and the delivery of our strategic objectives.

Delivering VFM is part of an integrated and embedded approach, rather than something that is separate or an annual task that must be completed. VFM 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 VFM measurement and monitoring.

In September 2018 the Board approved a revised VFM Strategy. The strategy was developed to support the delivery of our strategic objectives and the four key themes are:

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

#### Customers

*"We care about the people and the communities that we serve. We work in collaboration with others, to create stable, secure, trusting and supportive environments where people feel they belong." Group social purpose*

Our wide range of accommodation provides general needs homes and specialist support services to meet a diverse range of needs in our communities. To deliver high quality management services we prioritise strong relationships with customers. With a focus on tenancy sustainability, our housing teams utilise mobile working and small geographic patches to enhance our ability to provide high levels of support. This includes specialist advice and support from our welfare benefits team to maximise levels of income and support payments of rent.

To drive efficiency and increase the accessibility of services we are delivering key customers services online through our 'self service' customer platform 'My North Star'. Our customers directly influence our approach to VFM through a variety of opportunities. From informal focus groups and surveying on specific issues, to involvement in procurement exercises and membership of formal groups such as our scrutiny panel. These opportunities enable customers to challenge, share ideas and support North Star in delivering value for money.

To monitor the quality of our services we collect satisfaction data on a range of key services and transactions. The data is gathered by an independent research company and is monitored closely within the organisation alongside key performance metrics to enable us to benchmark against peers and identify areas for improvement.

We remained committed to our wider communities and to make investment in communities to achieve wider social outcomes and value. We utilise connections with key partners and stakeholders to identify valuable community projects and capture the impact of our investment using a comprehensive evaluation model.

### Asset Management

“It is essential that we actively manage these assets well, comply with legislative and regulatory frameworks and overall, demonstrate that we are delivering value for money and provide a good standard of product and service for our customers.” *2019 Asset Management Strategy*

We have a comprehensive understanding of the condition of our properties and the future investment requirements. We survey our homes on a rolling five year programme to maintain the accuracy of our data and to refine our annual, five year and 30 year investment programmes. Every two years our approach to capturing stock condition data is externally validated. Having detailed knowledge of our stock allows us to be able to efficiently target our resources in the right place at the right time.

We are continuing to capture the energy performance of our homes through EPC surveys. Within the 2020 business plan we have included retrofit costs of £45m across the next 30 years to improve the energy efficiency of our properties, reduce heating costs for our customers and to support the decarbonisation agenda.

We have developed our Return on Assets (ROA) model which allows us to review the overall financial performance of our properties. This information is used to produce a Net Present Value (NPV) figure for each asset, allowing us to focus our attention on lower performing assets and to consider option appraisals to improve our financial return.

### Growth

“Growth of our organisation has always been a core objective for North Star. Increasing the number of homes we own and manage not only diversifies, rejuvenates and adds value to our stock; it strengthens our commitment to our communities and helps deliver our social purpose objectives. Growth also assists in maintaining our high profile, motivates our staff and keeps us dynamic.” *2019 Growth Strategy*

Our strategic priority is to grow by 500 homes by 2023. The development of new homes is based on an assessment of customer need and annually reviewing our development principles. Our focus is on developing homes for general needs affordable and social rent. We will also develop supported housing units in the right circumstances and where we have experience. Where demand is strong we will develop shared ownership properties in limited numbers that are part of a larger development scheme.

We have a strong pipeline of opportunities and a robust decision making process for considering and approving new development opportunities. We understand our financial viability parameters; where we want to develop and the type of properties required. We consider a range of factors in assessing new opportunities including location, property type, local demand and the financial performance of the scheme. We work closely with our local authorities partners to ensure we refine our proposals to not only meet local needs, but homes are built to a quality and aesthetic standard that will have a positive impact on the physical environment.

We update our development appraisal assumptions annually and these are approved by Board. We also benchmark our assumptions with other North East based providers. Live schemes are closely monitored with regular quarterly reports provided to Board on contract and financial performance.

Our comprehensive approach to VFM 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. This focus is assisted by internal trend data and by comparative data relating to similar housing associations, as outlined in the following sections.

### **Key Performance in 2019/20**

Our net surplus was £2,707k which was £550k ahead of the original budget. There is a strong culture of financial control across the business and a robust reforecasting process, which allows us to generate additional savings and this is reinvested back into the business.

### North Star Performance Metrics

North Star tracks performance against a number of key metrics, as well as undertaking appropriate and timely external comparisons and benchmarking. These metrics allow us to assess the outputs from the range of services we deliver. The majority of the metrics are reported on a monthly basis and are reviewed by the Executive team. This ensures that where required prompt action can be taken where issues are identified.



	Target 2019/20	2017/18	2018/19	2019/20	HouseMark Quartile Position
Current arrears	2.0%	1.81%	1.94%	2.29%	Upper
Former tenants arrears	-	0.77%	0.93%	0.82%	Upper
% rent lost through empty homes	1.2%	1.28%	1.2%	0.85%	Median
Average number of days taken to let a home	25	25.5	24	20	Upper
Average repair cost	-	£119	£119	£120	Median
Average void cost	-	£1,375	£1,483	£1,460	Upper

Our performance on current arrears remains in the upper quartile for HouseMark however, we were outside target at the end of the financial year with an upward trend over the three year period. We monitor performance in this area closely and in light of an increasing pattern are reviewing approaches taken to both manage arrears and improve rates of tenancy sustainment.

In addition to utilising strong customer relationships to manage non payment of rent, the work of the Welfare Benefit Officers has been of particular benefit customers and North Star, as referenced later in the report.

Void performance has improved with a reduction in the level of tenancy turnover combining with an improvement in the average days taken to let a home. Our average repair and void costs have remained consistent with prior years.

Our average void costs have marginally reduced over the year, but still remain upper quartile. We will review our void standards and specifications and are working with our contractors to explore further efficiencies, however we are conscious that we do not want this to impact on the quality of our homes offered to tenants nor our ability to let properties.

% of customer satisfaction with	Target 2019/20	2017/18	2018/19	2019/20	HouseMark Quartile Position
The overall service	92%	88.9%	87.5%	92.3%	Upper
Planned investment work	93%	93.79%	95%	94.4%	-
New homes (new build)	95%	92.8%	100%	98.3%	-
Quality of the home	85%	84.8%	85%	87.8%	Median
Maintenance service	92%	90%	89%	88.3%	Median
Anti-Social Behaviour management	100%	95%	100%	96%	Upper
Complaint management	93%	77.4%	90.3%	65.9%	Median
Rent providing VFM	93%	95%	92.6%	94.4%	Upper

Satisfaction with the maintenance service has reduced slightly and is below the top quartile target we set. To address this we have developed an action plan with our contractors to improve performance and have also procured a new heating contractor.

Satisfaction with complaint handling is below our target and was a result of insufficient communication with tenants during a period in January 2020. Procedures have since been reviewed and we are monitoring the performance in this area closely.

Satisfaction with the management of anti-social behaviour complaints remains in the top quartile but reduced slightly. Additional staff training has been delivered focusing on this area and our responsibility as a landlord.

Investment	2017/18	2018/19	2019/20
Numbers of homes upgraded	514	526	443

Level of investment	£2.1m	£2.1m	£1.5m
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The level of investment in our stock is lower than previous years due to the phasing of work programmes as per our stock condition data. It was also impacted by the postponement of works in March 2020 due to the global pandemic.

Staff Data	2017/18	2018/19	2019/20	Benchmark
North Star staff turnover	10%	7.5%	12.6%	13.1% *
% of time lost to sickness	2.6%	3.1%	3.2%	2.6% **
Cost of absence	£55,408	£47,031	£58,380	-

\*HouseMark – national average

\*\* Chartered Institute of Professional Development – national absence average

Sickness absence has marginally increased (0.6%) over the three year period. We are never complacent about the levels of absence. We ensure that absence is managed proactively, quickly and consistently. We provide Occupational Health, physiotherapy and counselling services to support an expedient return to work, wherever possible. The majority of absence is longer term and is related to surgery and surgical complications. Short term absence is low at 0.25%

#### VfM Regulatory Metrics

The Value for Money Standard, introduced in April 2018, required that organisations publish their performance against a standard set of seven VfM metrics.

Metric	2017/18 Actual	2018/19 Actual	2019/20 Actual	Peer Median*	2020/21 Forecast
1. Reinvestment	4.01%	5.05%	5.00%	6.5%	3.1%
2. New Supply Delivered (social)	0.87%	1.34%	1.78%	1.3%	2.0%
3. Gearing	42%	43%	43%	39%	46.9%
4. EBITDA MRI Interest Cover	213%	189%	194%	180%	168%
5. Headline Social Housing Cost per Unit (HSCU)	£3,506	£3,509	£3,550	£3,635	£3,613
6. Operating Margin (all)	31.3%	28.5%	27.2%	23.2%	25%
7. Return on Capital Employed	3.34%	2.97%	2.71%	3.8%	2.6%

\*Peer group is 15 Northern based organisations with 2,500 to 7,500 units that includes similar level of supported housing (c.10%) and relates to 2018/19 financial year.

#### **1. Reinvestment**

The movement in this metric reflects the profile of the new units developed by North Star Housing Group and the investment in our current stock. The main reason why this figure has reduced is the lower levels of planned investment in our current stock relative to previous years. This investment is determined by the asset management strategy and stock condition data and therefore fluctuates year on year. This is expected and planned. The metric is also impacted by the timing of the development of new units as noted below. In 2019/20 we invested £1.5m in our current stock which benefitted 443 homes and focused on kitchens, bathrooms and electrical upgrades. We also built 65 new units in 2019/20 and invested £8.6m in new units.

#### **2. New Supply Delivered (social)**

Growth is a key part of our strategic ambitions. In 2019/20, 65 new social housing units were built and there are plans for 290 new units over the next four years. Over the last three years our average on this metric of 1.33% is slightly ahead of our peers. Our ambition remains to increase this figure in the period to 2023. North Star Housing has not developed any non-social housing units

### 3. Gearing

The gearing is higher than our peers reflecting our development activity which has increased the level of debt as forecast in the budget and business plan.

### 4. EBITDA MRI Interest Cover

This metric has been relatively consistent over the last three years and has remained ahead of our peers. This is despite North Star having a higher level of debt than our peer group. The level of interest cover is still significantly higher than required under the bank covenants.

The continued investment in front line services, our current properties and the development of new properties has increased the level of debt and therefore the interest costs. Interest costs have benefitted from the low level of LIBOR.

### 5. Headline Social Housing Cost per Unit (HSCU)

This metric has remained stable over the last three financial years. The development of new units and delivery of efficiencies has helped offset the costs of new services and inflationary increases. The HSCU is now lower than that our peer group.

We operate in very challenging areas which require a strong and intense focus on neighbourhoods through housing management, community investment and other support services.

A large element of the costs also relates to planned investment and this spend can fluctuate depending on the asset management assumptions and decisions of each organisation.

### 6. Operating Margin (overall)

The historic and future trend shows a fall in the operating margin caused by:

- Inflationary cost increases and pay awards increasing operating costs.
- Rent reductions.
- Additional investment in asset compliance works.

Despite the reduction in the Operating Margin the performance for the Group is ahead of our peers. Our margin has reduced less than both our peers and the sector as a whole. We have only reported an overall Operating Margin as the Group carries out no non-social housing activity so all costs relate to social housing.

### 7. Return on Capital Employed (ROCE)

The reduction in ROCE is due to the fall in operating surpluses which is explained above and the investment in new and existing properties that have increased the total asset value.

In addition to reporting the RSH VFM metrics we have included the Sector scorecard metrics for the same period:

Metric	2017/18 Actual	2018/19 Actual	2019/20 Actual	Peer Median	2020/21 Forecast
8. Units Developed	31	63	65	49	75
9. % respondents very/fairly satisfied with the service	88.9%	87.5%	92.3%	87.4%	92%
10. £ invested in communities	£224k	£246k	£249k	£246k	£250k
11. Occupancy rate	98.9%	98.8%	98.9%	99.0%	99.0%
12. Ratio of responsive repairs to planned maintenance	0.47	0.50	0.49	0.61	0.43
13. Rent collected %	100.6%	99.1%	102.0%	99.1%	100%
14. Overheads as a % of adjusted turnover	11.2%	12.0%	10.9%	13.7%	10.5%

There are no peer median figures available for 2019/20 as HouseMark will not be publishing this data until September 2020. The Peer median figures above are for 2018/19 and it is the same peer group as set out in the RSH metrics on Page 9.

**8. Units Developed**

The narrative is the same as for the RSH metric on new supply delivered on Page 9 and remains ahead of our peer group.

**9. Customer Satisfaction**

Overall customer satisfaction has increased and we are now performing ahead of the peer group. We continue to work with our repairs and servicing contractors to improve the service to customers as we know that these services are a key area.

**10. £ Invested in Communities**

We have continued to invest in our communities and have worked with a range of partners to maximise our impact. Further details on this are set out on Page 14.

**11. Occupancy Rate**

We operate in some very challenging urban areas, where we have concentrations of difficult to let housing stock with relatively high tenancy turnover.

**12. Ratio of Responsive Repairs to Planned**

This metric has remained consistent over the last three years which reflects the profile of the investment in our current stock. The level of capitalised maintenance changes each year to reflect the asset management data and asset management strategy.

**13. Rent Collected %**

Despite the roll out of Universal Credit in some of our very challenging areas, we have maintained our performance in relation to the peer median through focussed management. In addition to strong performance on the management of arrears the metric has been impacted by the timing of housing benefit payments.

**14. Overheads as a % of Adjusted Turnover**

Reducing our overheads was a key target for 2019/20 and there have been reductions in all overhead areas in the last 12 months.

Overall our outturn is as good as, or better than, our peer group.

**Performance against our VfM Strategy – 2019/20**

There is a range of activity and outputs that evidence the delivery of VfM over the last 12 months.

North Star - Strategic Metrics

A number of targets were set for the delivery of VfM during 2019/20 and these covered all areas of the organisation:

Strategic Objective	Metric/project	2019/20 Target	2019/20 Actual
<b>Customers</b>	% of repairs appointments kept	92%	95.8%
	£ of Social value delivered	£2.75m	£2.75m
	% customer satisfaction with overall service	92%	92.3%
	% of tenancy turnover	< 13%	12.9%
<b>Growth</b>	Number of units delivered	68	65
	Number of supported housing units delivered	5 units	6 units
	Deliver a health project	1 project	

			Not achieved
	Conversion of Darlington office space into residential units	2 units	In progress
	Deliver a community led development	1 project	Not achieved

The overall satisfaction with our services is above target and all other metrics for customers exceeded the target for 2019/20.

In October 2019 we also joined the Institute of Customer Service with a focus on enhancing the customer experience and improving satisfaction. This membership enables us to benchmark our service against leading, non-housing sector, businesses.

In terms of Growth we feel slightly short for the number of units delivered in the year due to the impact of COVID-19 in March 2020. However, we did manage to exceed the target for supported housing units with new units in Stockton with funding from the Homes England Move on Fund.

Board agreed that the delivery of a health project should be removed from the Corporate Plan because of the inherent challenges in its delivery, many of which were outside of our control. The conversion of the Darlington office space has been delayed due to the impact of COVID-19. During the year we received planning permission for the conversion and works had started in March 2020. We were also unable to progress a community led development project as the proposals under consideration did not meet our development feasibility criteria and were undeliverable.

To support the delivery of the core strategic objectives there are a number of enabling objectives. These cover the other six themes from the Leading and Growing to 2023 strategy and all these themes are vital to ensuring the delivery of the two core strategic objectives of Customers and Growth.

Enabling Objective	Metric	3 Year Target	2019/20 Update
<b>Culture</b>	Retain IIP Platinum accreditation	Formal assessment in 2020/21 plus in year pulse surveys	Survey to be carried out in September 2020
<b>Partnerships</b>	Stakeholder perception survey	Survey to be carried out by June 2020	Survey delayed due to CV-19 and will be done in 2021/22
<b>Profile and Reputation</b>	Retain G1/V1 ratings	Assessed annually	Confirmed in November 2019
	Stakeholder perception survey	Survey to be carried out by June 2020	Survey delayed due to CV-19 and will be done in 2021/22
<b>Resources</b>	Deliver operating efficiencies (including procurement savings)	£89k	£130k
	% of time lost to sickness	1.4%	3.2%

	Increase the borrowing capacity of the Group	Funding in place to enable development of 500 units as per Leading and Growing 2023 vision	Refinancing project due to be completed by November 2020
<b>Technology and Digitisation</b>	% of tenants accessing online services	25%	38%
<b>Governance</b>	Consolidation of Group structure	Simplified Group structure in place	Refinancing project due to be completed by November 2020

As part of joining the Institute of Customer Service we carried out a staff survey in March 2020 which focused on the employee perception of our customer service. We scored highly exceeding sector and non sector benchmark averages with areas of particular strength identified as our people, culture and strategy. We have developed an action plan to work on lower scoring areas and will complete a customer survey with the Institute during 2020/21 with results informing a new customer strategy.

A stakeholder survey was due to be carried out in June 2020 but it has been decided to defer this survey until 2021/22 due to the impact of COVID-19.

There are several actions that will be completed as part of the Refinancing project and this remains on track to be completed by November 2020. This project will see the consolidation of the Group into a single organisation providing a simpler operating structure. It will also result in a simpler funding structure which will provide the funding to deliver more new units. Importantly we will also be mitigating some key treasury risks by moving to improved covenants, increasing the term of our loans and also hedging to protect against future interest rate rises.

The My North Star platform launched in November 2019, this enables customers to 'self serve' by accessing repairs and tenancy services digitally. The platform has proven popular with customers and the number of customers accessing the portal has out performed our expectations.

The pandemic was undoubtedly a driver for customers moving to the portal to access services and the digitisation of services is a major part of VfM in the coming years. Not only are repairs now reported direct to the contractor thus reducing the administration but also accessing services online reduces telephone calls and online queries. Data from across the sectors shows the savings that can be delivered from digitisation and we will work during 2020/21 to better quantify the savings that this change will deliver.

The VfM strategy had six key objectives that helped link the VfM strategy to the wider organisation and these are set out below along with the key achievements during the year:

Smart Procurement

- Two new heating services contracts were procured and have been awarded to two new contractors. This procurement process involved a tenants' focus group which allowed us to tailor the procurement exercise to include key areas which they felt needed addressing around their customer services. The new contractors will also be providing new employment as a result of this award along with 14 new work placements.
- 11 new contracts were procured during 2019/2020 with a focus on best value with five of these delivering additional social value from our supply chain.
- We are regularly monitoring prices through framework providers and consortiums but have found to date that North Star has successfully managed to procure all requirements internally whilst still delivering value for money. We expect to see over £500k worth of savings from these contracts over the next 5 years and anticipate that this forecast will rise in 2020/2021.

Enable Growth

- Working with local authorities we accessed additional funding from the Homes England Move on Fund. This enabled us to purchase 6 new units in Stockton and more units will be purchased in Middlesbrough in 2020/21.

- Delivered 58 general needs units.
- The refinancing project was started by Board in July 2019 with the creation of the Refinancing Working Group. This project is key to ensuring North Star has the funding in place to continue to develop new units throughout the 2020s.
- We have continued to invest in our staff on a wide range of training and development initiatives and maintained our Investors in People Platinum rating. Enabling and empowering our staff is a vital component of delivering our strategy.

#### Efficiency

- The operating surplus was £5,541k which was £268k ahead of the original budget. There is a strong culture of financial control across the business and during the year there is a robust reforecasting process that takes place every quarter. These reforecasts ensure that savings were identified but also that any cost pressures were proactively managed by budget holders.

These savings were mostly reinvested back into the business and were key in supporting a range of other initiatives. This included a BAME apprenticeship programme, a new Geographical Information System (GIS) software and becoming a member of the Institute of Customer Service.

#### Maximise Social Value

- A dedicated Social Value Review report has been created for 2019/20 and this is available on the North Star website. This shows that over £2.5m of social value was delivered through a range of projects.
- We have worked with our supply chain to carry out a number of activities beneficial to the communities we work in. This includes a full refurbishment and remodelling of our Community Hub in Thornaby with approximately 30 contractors contributing to work worth in excess of £30k.
- We have provided financial support to a number of tenant events. In 2019/20 we have supported 56 tenant events that have provided over 1,100 hours of engagement.
- We have also provided funding to a number of organisations to carry out community projects. These projects include breakfast clubs at local primary schools, employment and skills projects at our local community hubs and youth activities in some of our most challenging communities and schemes.

#### Maximise Income

- There has been a focus on reducing void loss and improving the re-let process. This has involved our contractors as well as customers and staff. Performance for the year ended 31<sup>st</sup> March 2020 was in line with the budget and better than previous years creating savings.
- The roll out of Universal Credit continued across our customers and we proactively invested to create dedicated Welfare Benefits Officers. As well as ensuring arrears were managed these new posts helped ensure customers could access the full range of support they were entitled to. The strong performance on arrears is shown on Page 3 and over the last year customers were assisted to secure £746k of support they were entitled to.

#### Active Asset Management

- We reviewed the voids process with our contractors and managed to reduce our average re-let time down to 20 days.
- We have carried out an energy efficiency assessment of our offices and developed plans to reduce our carbon footprint.
- We included costs in our business plan to retrofit our properties and started work to improve the quality and accuracy of the EPC data on our properties.
- We introduced new Geographical Information System (GIS) software to allow us to better understand our estates and properties.

Our 2019/20 Value for Money statement also highlighted some areas where we need to improve our performance and an update against each of these areas is shown below:

- Budgeting and Efficiencies

We wanted to develop a better approach to forecasting and monitoring savings in budget and the business plan. The 2019/20 budget included £89k of efficiencies and had an operating margin of 25%. We outperformed on both areas and delivered an operating margin of 27.2%.

In addition we amended our approach to the efficiencies in the business plan with incremental efficiency targets being set in each organisation for the first five years.

- Overheads as a % of Turnover  
We were in the lower quartile for this metric on HouseMark. The Sector Scorecard shows this has reduced during 2019/20. There have been savings in Finance, ICT and People Services during the year and the reduction in percentage equates to a saving of almost £150k during the year.
- Tenancy Turnover  
This has reduced from over 14% in 2018/19 to 12.9% in 2019/20 with staff working to support customers and we work with tenants sustain tenancies.
- Management Costs  
As noted in the overheads section above we have also reduced our back office costs which are all part of the management costs. We reviewed our approach to benchmarking with HouseMark during the year and this led to the reclassification of our customer service costs from management to housing and repairs. This will make our data more consistent with our peers.

From reviewing HouseMark, Global Accounts data and a range of other financial and performance information the areas we need to improve in 2020/21 are:

- Reduce demand for responsive repairs - The maintenance team have been reviewing data from 2019/20 to identify themes and trends and will be working with our contractor to identify how we can reduce demand in these areas.
- Continue to reduce our tenancy turnover - We are reviewing approaches to improve tenancy sustainment. This will include strengthened pre-tenancy work with incoming tenants. In addition, making more effective use of data to proactively direct support to those tenants and area's most susceptible to tenancy failure.

We will also have to work to manage the impact of COVID-19 on the business and this has been a key focus in the first part of 2020/21.

#### **VFM - 2020/21 Year and Beyond**

The Refinancing project is expected to be completed in November 2020. As well as moving to a simpler governance structure with the consolidation of the Group this project will also put new long term funding in place. This new funding will mean a further 300 new units can be develop and it will also reduce the treasury risks on interest rates and the loan maturity. The current forecast is that this project will increase the 30 year cumulative net surplus by at least £50m.

The table below shows our targets for the Regulator's metrics over the next three years and reflects the new governance and funding structure of North Star.

North Star Targets – VFM regulatory	2020/21 (target)	2021/22 (target)	2022/23 (target)	2023/24 (target)
1. Reinvestment	3.1%	7.0%	5.3%	5.5%
2. New Supply Delivered (social)	2.0%	2.3%	1.6%	1.6%
3. Gearing	46.9%	47.9%	48.3%	48.3%
4. EBITDA MRI Interest Cover*	168%	145%	154%	166%
5. Headline Social Housing Cost per Unit (HSCU)	£3,613	£4,162	£4,143	£4,170
6. Operating Margin (all)	25%	27%	28%	31%
7. Return on Capital Employed	2.6%	2.7%	2.8%	3.2%

\*excluding one off costs relating to the refinancing project in 2020/21.



The movement in metrics over the next three years reflects the investment aspirations in new and existing stock as well as the key business plan assumptions on interest rates, inflation and efficiencies. The operating margin metric has been impacted by COVID-19 related adjustments which have reduced the forecast operating margin in 2020/21.

The reinvestment metric rises with investment in new units and existing stock. This also impacts the new supply delivered metric. The assumptions on interest rates, which are forecast to rise to 4% by 2025, and inflation have affected the EBITDA MRI Interest Cover, HSCU and Operating Margin metrics. This is despite the inclusion of efficiencies in each of these years.

The EBITDA MRI Interest cover is also impacted by the inclusion of retrofit spend in the business plan from 2022. This additional investment starts at £1m and continues for the life of the plan allowing North Star to improve the energy efficiency of their properties. This investment also increases the HSCU – if the investment in capitalised maintenance is excluded the HSCU metric actually reduces over the four years.

Gearing has increased with the impact of the refinancing project but this metric then remains stable over the next four years.

Our forecast performance on the VFM metrics should allow us to remain at least in line with our peers and make best use of the assets within the organisation.

During 2020/21 the Refinancing Project will be completed and one of the objectives of this project is to deliver better VFM for North Star. The improved VFM will come from a number of areas:

- Lower interest rate costs across the 30 years of the business plan.
- Increased number of new units that can be developed.
- Improved operating surplus driven by new units.
- A simpler governance and funding structure.

This project is due to be completed in November 2020.

North Star – Value for Money Metrics

Our KPI's have been aligned to the two key strategic objectives and where possible a three-year target has been set. In some cases, the metric relates to a shorter time frame and the target also reflects this.

Strategic Objective	Metric/Projects	3 Year Target
<b>Customers</b>	Carry out Institute of Customer Service survey of tenants	First survey in 2020/21
	% customer satisfaction with repairs service	2020/21 - 92% 2021/22 - 92.5% 2022/23 – 93%
	£ of Social value delivered	2020/21 - £2.8m 2021/22 - £2.9m 2022/23 - £3.0m
	% customer satisfaction with overall service	2020/21 – 92.5% 2021/22 - 93% 2022/23 – 94%
	% of tenancy turnover	2020/21 - 12% 2021/22 - 11% 2022/23 - 10.5%
<b>Growth</b>	Number of units delivered	2020/21 - 76 2021/22 – 75 2022/23 - 64
	Number of supported housing units delivered	5 units per year

To support the delivery of the core strategic objectives there are a number of enabling objectives:

Enabling Objective	Metric	3 Year Target
<b>Culture</b>	Retain IIP Platinum accreditation	Formal assessment in September 2020/21
<b>Partnerships</b>	Stakeholder perception survey	Survey to be carried out in 2021/22
<b>Profile and Reputation</b>	Retain G1/V1 ratings	Assessed annually
	Stakeholder perception survey	Survey to be carried out in 2021/22
<b>Resources</b>	Deliver operating efficiencies (including procurement savings)	2020/21 - £125k 2021/22 - £202k 2022/23 - £324k
	% of time lost to sickness	2020/21 - 3% 2021/22 - 2.8% 2022/23 - 2.5%
	Increase the borrowing capacity of the Group	Refinancing Project to be completed by November 2020
<b>Technology and Digitisation</b>	% of tenants accessing online services	2020/21 - 55% 2021/22 - 62% 2022/23 - 70%
	% of tenants reporting repairs through My North Star	2020/21 – 20% 2021/22 – 30% 2022/23 – 40%
<b>Governance</b>	Consolidation of Group structure	Part of the Refinancing Project which will be completed by November 2020

In some cases, the target for the next three years is to maintain the current level of performance and remain in the upper quartile of these metrics. Targets set for the 2021/22 and 2022/23 financial years are indicative targets. The Board will approve the final targets at the start of each financial year.

Overall there is a substantial range of VFM activity across all areas of the organisation. This can be demonstrated by the projects listed above, the strong performance on VFM records and the targets set for future years.

### Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all organisations within the Group.

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 Group and the Annual Report of the Internal Auditor.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1<sup>st</sup> April 2019 up to the date of approval of the Report and Financial Statements.

A specific risk management process was developed very quickly for the management of Covid-19 using the existing risk framework. This was highly effective and enabled us to focus on the immediately presenting issues. Our reporting, communication and dialogue with Board was increased during this period and closer monitoring was introduced. The potential impact of Covid-19 is now fully integrated into the comprehensive risk framework.

Key elements of the control framework include:

- Assessing compliance with the Regulator of Social Housing Regulatory Standards.
- Adoption of and compliance with the National Housing Federation 2015 Code of Governance - Promoting Board Excellence in Housing Associations - in accordance with the Regulatory Standard on Governance and Financial Viability.
- Board approved terms of reference and delegated authorities for the Group 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.
- The updated version of the Financial Regulations as approved by the Board in March 2019.
- Formal recruitment, retention, training and development policies for staff and Board.
- Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- A new risk management framework was approved by the Board and this included the introduction of a 'three lines of defence' assurance model to all risk registers.
- The annual review of the effectiveness of the systems of internal control, which considers risk management, internal audit arrangements, and the approach to procurement and fraud. The 2019/20 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 Group.
- An Internal Audit function which agrees an annual programme of work with the Group Audit Committee, meets with the Committee (with and without management in attendance) and provides reports to the Committee detailing the levels of assurance for each area reviewed, as well as an Annual Report. As in previous years the 2019/20 Annual Report concluded that *"from the areas reviewed during the year, North Star Housing Group has reasonable and effective risk management, control and governance processes in place"*.
- A comprehensive approach to treasury management which is subject to external review on an annual basis. In November 2019 Centrus were appointed as the new treasury advisors to the Group.
- A review of the 'Golden Rules', which cover liquidity, covenants and key operational metrics. Performance against these is reported to the Board quarterly.

- Regular reporting on key business objectives, targets and outcomes.
- Board approved whistle-blowing, anti-theft and corruption policies.
- A regular review of Internal and External Auditors and their roles/periods of appointment.

### **Financial Risk Management**

The Association's operations expose it to a variety of financial risks including credit risk, interest rate risk and liquidity risk. The Association's principal financial instruments comprise 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 the Association's financial instruments can be analysed as follows:

#### Credit Risk

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

The Association's credit risk is primarily attributable to its 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 the Group's management, based on prior experience. Performance on arrears has been strong in 2019/20 despite the continued roll out of Universal Credit.

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 Association's policy is to ensure that between 60% and 80% of its long term borrowings are held on fixed interest rate arrangements with a range of maturity dates to ensure that the Association's exposure to significant movements in interest rates is limited. In July 2019 the Board established the Refinancing Working Group and whilst this project was in progress it was agreed that no further hedging would be put in place. This was to avoid the creation of potential exit costs and meant that the percentage of hedged debt fell below 60% to 54%. This temporary departure from our internal policy was Board approved. The Board monitors the overall level of borrowing and interest costs to limit any adverse effects on the financial performance of the Group. It is expected that when the refinancing project completes the level of hedged debt will be above 90%.

#### Liquidity Risk

The Association 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 for each Group member.

### **Going Concern**

The Association'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 Association meets its day to day working capital requirements through the current account, which was cash positive throughout the year. The Association meets its development programme requirements through a combination of grant and debt funding. Note 21 of the Financial Statements highlights the current level of debt and repayment terms.

The Association'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.

The Association's business plan that was approved by Board in April 2020 sets out the financial plans for the next 30 years and also 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 Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Association continues to adopt the going concern basis in preparing these Financial Statements.

### **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 Association'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 Association'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 14<sup>th</sup> September 2020.

**Approval**

This Report was approved by the Board on 14<sup>th</sup> September 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'P Waugh', written over a faint circular stamp or watermark.

**P Waugh**  
*Chair*

## **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.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. 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*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable 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 Association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association 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 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association 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 Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Independent auditor's report to the members of Endeavour Housing Association

### Opinion

We have audited the financial statements of Endeavour Housing Association Limited ('the Association') for the year ended 31<sup>st</sup> March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves and the related Notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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<sup>st</sup> March 2020 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 properly prepared in accordance 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 2019.

### 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

We have nothing to report in respect of the following matters in relation to which the ISA's (UK) require us to report to you where:

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

### Other Information

The other information comprises the information included in the Report of the Board and Financial Statements, 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 require us to report to you if, in our opinion:

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

### **Responsibilities of 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 20, 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 determine 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 intend to liquidate the Association or to cease operations, or have 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **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. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

*Beever and Struthers*

Beever and Struthers, Statutory Auditor  
St George's House  
215/219 Chester Road  
Manchester  
M15 4JE  
23 September 2020



**Statement of Comprehensive Income**  
*for the year ended 31<sup>st</sup> March 2020*

	<i>Notes</i>	<b>Year ended 31<sup>st</sup> March 2020 £000</b>	Year ended 31 <sup>st</sup> March 2019 £000
<b>Turnover</b>	3	<b>15,537</b>	15,093
Operating expenditure	3	<b>(11,570)</b>	(10,878)
Operating surplus subtotal		<b><u>3,967</u></b>	<u>4,215</u>
Surplus/(Deficit) on disposal of fixed assets	7	<b>1</b>	(17)
 		<hr/>	<hr/>
<b>Operating surplus</b>	3	<b>3,968</b>	4,198
Interest receivable and similar income	8	<b>12</b>	12
Interest payable and similar charges	9	<b>(2,591)</b>	(2,644)
Gift Aid received from Parent		<b>130</b>	19
Exceptional Item		<b>-</b>	(1,079)
 		<hr/>	<hr/>
<b>Surplus for the year before taxation</b>		<b>1,519</b>	506
Tax on surplus on ordinary activities	11	<b>-</b>	-
 		<hr/>	<hr/>
<b>Surplus for the year</b>		<b>1,519</b>	506
 		<hr/> <hr/>	<hr/> <hr/>
<b>Other comprehensive income</b>			
Initial recognition of actuarial loss	10	<b>-</b>	(828)
Re-measurement of the net defined benefit liability	10	<b>1,887</b>	(870)
 		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>3,406</b>	(1,192)
 		<hr/> <hr/>	<hr/> <hr/>

All results derive from continuing activities.

These Financial Statements were approved by the Board on 14<sup>th</sup> September 2020 and were signed on its behalf by:



**P Waugh**  
(Chair of Board)



**A Urbanowicz**  
(Chair of Group Audit Committee)



**J Walder**  
(Secretary)

**Statement of Financial Position**  
*at 31<sup>st</sup> March 2020*

	<i>Notes</i>	<b>Year ended 31<sup>st</sup> March 2020 £000</b>	Year ended 31 <sup>st</sup> March 2019 £000
<b>Fixed assets</b>			
Tangible assets – housing properties	<i>12</i>	<b>170,655</b>	164,618
Tangible - other	<i>13</i>	<b>1,297</b>	1,371
		<hr/>	<hr/>
<b>Total fixed assets</b>		<b>171,952</b>	165,989
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other debtors (including £154k (2019: £291k) due after more than one year)	<i>14</i>	<b>1,874</b>	2,072
Investments	<i>15</i>	<b>30</b>	30
Cash at bank and in hand		<b>2,449</b>	1,761
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	<i>16</i>	<b>(5,774)</b>	(3,863)
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(1,421)</b>	(2,145)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>170,531</b>	163,844
		<hr/>	<hr/>
<b>Creditors: amounts falling due after more than one year</b>	<i>17</i>	<b>(147,044)</b>	(141,628)
		<hr/>	<hr/>
<b>Provisions for liabilities</b>			
Pensions	<i>10</i>	<b>(1,235)</b>	(3,378)
Other provisions	<i>19</i>	<b>(124)</b>	(116)
		<hr/>	<hr/>
<b>Total net assets</b>		<b>22,128</b>	18,722
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Share capital	<i>20</i>	-	-
Revenue reserves		<b>21,939</b>	20,420
Pension reserve		<b>189</b>	(1,698)
		<hr/>	<hr/>
		<b>22,128</b>	18,722
		<hr/>	<hr/>

These Financial Statements were approved by the Board on 14<sup>th</sup> September 2020 and were signed on its behalf by:



**P Waugh**  
(Chair of Board)



**A Urbanowicz**  
(Chair of Group Audit Committee)



**J Walder**  
(Secretary)

## Statement of Changes in Reserves

	Called up share capital £000	Pension reserve £'000	Revenue reserve £000	Total reserves £000
Balance at 1 <sup>st</sup> April 2019	-	(1,698)	20,420	18,722
<b>Total comprehensive income for the financial year</b>				
Surplus for the year	-	-	1,519	1,519
Actuarial gain recognised in the pension scheme	-	1,887	-	1,887
<b>Balance at 31<sup>st</sup> March 2020</b>	<b>-</b>	<b>189</b>	<b>21,939</b>	<b>22,128</b>

## Notes

### 1. Legal Status

The Association is incorporated 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.

### 2. Accounting Policies

These Financial Statements are prepared in accordance with the Housing SORP 2018, Statement of Recommended Practice Accounting by registered social housing providers, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019 and Financial Reporting Standard 102, *The Financial Reporting Standard* applicable in the UK ("FRS102"). The presentation currency of these Financial Statements is British Pound Sterling.

The Association's Parent undertaking, North Star Housing Group Limited, includes the Association in its consolidated Financial Statements. The consolidated Financial Statements of North Star Housing Group Limited, within which the Association is included, can be obtained from the address shown on Page 1. In these Financial Statements, the Association is considered to be a qualifying entity (for the purposes of FRS) and has applied the exemptions available under FRS102 in respect of the Cash Flow Statement and related notes.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Judgements made by the Directors, in the application of those accounting policies, that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 25.

#### Basis of Accounting

The accounts are prepared under the historical cost basis of accounting.

#### Turnover

Turnover of the Association represents rental income, service charges and other income receivable from properties owned or managed by the Group and amortisation of Social Housing Grant (SHG) under the accrual method.

#### Taxation

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

#### 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.

Housing properties within the Low Cost Home Ownership (LCHO) programme are separately disclosed from housing properties for rent in the accounts.

**2. Accounting Policies (continued)**

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.

These useful economic lives are as follows:

Component	Useful Economic Life (Years)
Structure	100
Roof	60
Windows & Doors	30
Kitchen	20
Bathroom	30
Boiler	15
Electrical Rewire	30
Heating	30

The estimated useful economic life for each component has been based on the Association's current experience of component replacement. The Association will continue to monitor and review the useful economic lives of all components and make revisions where sustained material changes arise.

The Association will annually review its Accounting Policy on Housing Properties to ensure any investment properties held are accurately disclosed under FRS102. Disclosure of investment property will be made where it is practicable to do so and where reliable valuations can be obtained.

**Depreciation of Housing Properties**

Depreciation is provided so as 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.

**Stock Swaps**

Purchases from other Housing Associations and Local Borough Councils are included at fair value, measured as the purchase price. SHG relating to the properties purchased is disclosed as a creditor due after more than one year.

**First Tranche Shared Ownership Sales**

The costs of shared ownership properties are split between fixed and current assets. The value taken to current assets is the total costs to date of unsold shared ownership properties multiplied by the estimated proportion of the properties that will be sold in the first tranche sales. The remaining costs are included in fixed assets so that any subsequent sale is treated as a disposal or part disposal of a fixed asset.

For shared ownership properties that have been sold in the year, the sales proceeds are shown in turnover and the cost of sales is the total costs multiplied by the actual proportion

## 2. Accounting Policies (continued)

sold in the first tranche sales, plus any anticipated losses on the sale of the shared ownership property that remains in fixed assets.

### Capitalisation of Finance Costs

Finance costs relating to the development of housing properties are capitalised from the start of development activity up to the date of practical completion. Finance costs are capitalised at an appropriate rate that is reviewed periodically. No finance costs are capitalised during this period if active development is suspended.

### Social Housing Grant

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. The majority of SHG received by the Group 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 income 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 SHG funding regime.

### Impairment

#### Financial Assets (including trade and other debtors)

A financial asset not carried at fair value through the Statement of Comprehensive Income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised through the Statement of Comprehensive Income, and when a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income.

#### Non-Financial Assets

The carrying amounts of the Association's non-financial assets are also reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit"). For the purpose of impairment testing, the goodwill acquired in a business combination is allocated to cash-generating units (CGU's) that are expected to benefit from the synergies of the combination.

An impairment loss in respect of a non-financial asset is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of other assets in the unit on a pro-

## 2. Accounting Policies (*continued*)

rata basis. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

### 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:

Freehold office premises	2% to 5%
Office furniture, fittings and equipment	10% to 33%
Computer equipment	25% to 33%

### Pension Costs

#### a) Defined Contribution Schemes

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.

#### b) 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.

### Provisions

A provision is recognised in the Statement of Financial Position when the Association has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised as the best estimate of the amount required to settle the obligation at the reporting date.

### 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.

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 is excluded from the Association's Statement of Comprehensive Income.

### Leased Assets

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

### 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.

## 2. Accounting Policies (continued)

### Financial Instruments

Under FRS102 the financial instruments of the Association have been classified as Basic Financial Instruments:

- a) 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.
- b) 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. If the arrangement constitutes a financing transaction, for example where payment is deferred beyond normal business terms, and then it is measured at present value of future payments discounted at market rate of interest for a similar debt instrument.
- c) Interest Bearing Borrowings Classified as Basic Financial Instruments  
Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.
- d) Cash and Cash Equivalents  
Cash and cash equivalents comprise cash balances which are reflected at transaction value.

## 3. Turnover, Operating Costs and Operating Surplus/(Deficit)

	Turnover £000	Operating costs £000	2020 Operating surplus/ (deficit) £000	Turnover £000	Operating costs £000	2019 Operating surplus/ (deficit) £000
<b>Social housing lettings</b>	<b>15,306</b>	<b>(11,422)</b>	<b>3,884</b>	14,861	(10,732)	4,129
<b>Other social housing activities</b>						
Supporting people	218	-	218	217	-	217
Other	4	(146)	(142)	5	(144)	(139)
	<b>222</b>	<b>(146)</b>	<b>76</b>	222	(144)	78
<b>Non-social housing activities</b>						
Other	9	(2)	7	10	(2)	8
<b>Total</b>	<b>15,537</b>	<b>(11,570)</b>	<b>3,967</b>	15,093	(10,878)	4,215



**3. Turnover, Operating Costs and Operating Surplus/(Deficit) (continued)**

	General housing £000	Supported housing £000	LCHO £000	Other housing £000	Total 2020 £000	Total 2019 £000
<b>Turnover from social housing lettings</b>						
Rent receivable net of identifiable service charges	9,285	2,157	126	194	11,762	11,412
Service charge income	133	1,882	12	-	2,027	1,958
Charges for support services	-	26	-	-	26	41
<b>Net rental income</b>	<b>9,418</b>	<b>4,065</b>	<b>138</b>	<b>194</b>	<b>13,815</b>	<b>13,411</b>
Other income from lettings	1	642	-	10	653	631
Other revenue grants	3	10	-	-	13	1
Amortised Government grants	571	254	-	-	825	818
<b>Turnover from social housing lettings</b>	<b>9,993</b>	<b>4,971</b>	<b>138</b>	<b>204</b>	<b>15,306</b>	<b>14,861</b>
<b>Expenditure on social housing lettings</b>						
Management	1,565	1,511	-	45	3,121	3,066
Services	196	1,261	1	15	1,473	1,419
Routine maintenance	1,320	471	21	44	1,856	1,736
Planned maintenance	884	637	10	12	1,543	1,417
Major repairs expenditure	744	60	42	-	846	695
Bad debts	197	26	2	84	309	194
Property lease charges	16	177	-	118	311	314
Depreciation of housing properties	1,541	422	-	-	1,963	1,891
<b>Operating costs on social housing lettings</b>	<b>6,463</b>	<b>4,565</b>	<b>76</b>	<b>318</b>	<b>11,422</b>	<b>10,732</b>
<b>Operating surplus on social housing lettings</b>	<b>3,530</b>	<b>406</b>	<b>62</b>	<b>(114)</b>	<b>3,884</b>	<b>4,129</b>
<b>Void losses</b>	<b>(85)</b>	<b>(152)</b>	<b>(2)</b>	<b>(21)</b>	<b>(260)</b>	<b>(212)</b>

#### 4. Accommodation in Management

The number of units of accommodation managed by the Association as at 31<sup>st</sup> March was as follows:

	<b>2020 Number</b>	2019 Number
General needs social rent - owned and managed	<b>1,300</b>	1,351
General needs affordable rent - owned and managed	<b>342</b>	356
General needs social rent - owned and managed by others	<b>151</b>	101
General needs affordable rent - owned and managed by others	<b>188</b>	141
General needs social rent - managed on behalf of others	<b>36</b>	255
General needs affordable rent - managed on behalf of others	<b>3</b>	3
Supported housing and housing for older people social rent - owned and managed	<b>433</b>	429
Supported housing and housing for older people social rent – owned and managed by others	<b>108</b>	108
Supported housing and housing for older people social rent - managed on behalf of others	<b>31</b>	31
Intermediate rent - owned and managed	<b>5</b>	13
Intermediate rent - owned, and managed by others	<b>12</b>	8
Low Cost Home Ownership < 100% sold - owned and managed	<b>11</b>	11
	<hr/> <b>2,620</b> <hr/>	<hr/> 2,807 <hr/>

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.

The Association owns 108 (2019: 108) supported housing units 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 in Development

The number of units in development by the Association as at 31<sup>st</sup> March was as follows:

	<b>2020 Number</b>	2019 Number
General needs housing accommodation	<b>44</b>	37
Supported Housing accommodation	<b>6</b>	-
	<hr/> <b>50</b> <hr/>	<hr/> 37 <hr/>
	<hr/> <hr/>	<hr/> <hr/>

**6. Operating Surplus**

This is arrived at after charging:

	<b>2020</b>	2019
	<b>£000</b>	£000
External Auditor's remuneration in their capacity as auditors	19	10
Depreciation of housing properties	1,963	1,891
Depreciation of other tangible fixed assets	179	199
Operating lease costs	311	314
	<u>          </u>	<u>          </u>

**7. Surplus on Disposal of Fixed Assets**

	<b>2020</b>	2019
	<b>£000</b>	£000
Disposal proceeds	86	43
Carrying value of fixed assets and costs of disposal	(66)	(60)
Capital Grant Recycled (Note 17)	(19)	-
	<u>          </u>	<u>          </u>
Surplus/(Deficit) on disposal	1	(17)
	<u>          </u>	<u>          </u>

**8. Interest Receivable and Similar Income**

	<b>2020</b>	2019
	<b>£000</b>	£000
Interest Receivable and Similar Income	12	12
	<u>          </u>	<u>          </u>

**9. Interest and Financing Costs**

	<b>2020</b>	2019
	<b>£000</b>	£000
Bank loan interest	2,538	2,470
Amortisation of loan fees	34	162
Other interest expense on SHPS pension scheme (Note 10)	74	66
Other interest payable	-	1
	<u>          </u>	<u>          </u>
Less interest capitalised (Note 12)	2,646	2,699
	(55)	(55)
	<u>          </u>	<u>          </u>
	2,591	2,644
	<u>          </u>	<u>          </u>

**10. Employees**

Average monthly number of employees:

	<b>2020</b>	2019
	<b>Number</b>	Number
Housing and support	37	34
Other	1	1
	<u>          </u>	<u>          </u>
	38	35
	<u>          </u>	<u>          </u>

**10. Employees (continued)**

Average monthly number of employees expressed in full time equivalents:

	<b>2020</b>	2019
	<b>Number</b>	Number
Housing and support	<b>28</b>	30
Other	<b>3</b>	1
	<b>31</b>	31
	<b>31</b>	31
 Employee costs:		
	<b>2020</b>	2019
	<b>£000</b>	£000
Wages and salaries	<b>1,048</b>	1,033
Social security costs	<b>97</b>	91
Other pension costs	<b>60</b>	47
	<b>1,205</b>	1,171
	<b>1,205</b>	1,171

Directors and key management personnel are remunerated via the Parent Association. Relevant disclosures are included in Note 11 to these accounts.

The Social Housing Pension Scheme (SHPS)

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

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30<sup>th</sup> 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 triennial valuation of the scheme for funding purposes was carried out as at 30<sup>th</sup> September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30<sup>th</sup> September 2026.

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

For financial years ending on or before 28<sup>th</sup> February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31<sup>st</sup> March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30<sup>th</sup> September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31<sup>st</sup> March 2019 to 29<sup>th</sup> February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30<sup>th</sup> September 2019 to inform the liabilities for accounting year ends from 31<sup>st</sup> March 2020 to 28<sup>th</sup> February 2021 inclusive.

**10. Employees (continued)**

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

	<b>31<sup>st</sup> March 2020</b>	31 <sup>st</sup> March 2019
	%	%
Discount Rate	<b>2.38</b>	2.30
RPI Inflation	<b>2.63</b>	3.30
CPI Inflation	<b>1.63</b>	2.30
Salary Increases	<b>2.63</b>	3.30

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

	<b>Asset Split at 31<sup>st</sup> March 2020 £000</b>	Asset Split at 31 <sup>st</sup> March 2019 £000
Global Equities	<b>1,532</b>	1,696
Absolute Return	<b>546</b>	872
Distressed Opportunities	<b>202</b>	183
Credit Relative Value	<b>287</b>	184
Alternative Risk Premia	<b>732</b>	581
Fund of Hedge Markets	<b>6</b>	45
Emerging Market Debts	<b>317</b>	348
Risk Sharing	<b>354</b>	304
Insurance – Securities	<b>322</b>	289
Property	<b>231</b>	227
Infrastructure	<b>780</b>	528
Private Debt	<b>211</b>	135
Opportunistic liquid credit	<b>253</b>	-
Corporate Bonds	<b>597</b>	470
Liquid credit	<b>4</b>	-
Long Lease Property	<b>181</b>	148
Secured Income	<b>397</b>	361
Liability Driven Investments	<b>3,476</b>	3,685
Net Current Assets	<b>45</b>	19
	<hr/>	<hr/>
Total Assets	<b>10,473</b>	10,075
	<hr/> <hr/>	<hr/> <hr/>

**10. Employees (continued)**

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

	Value at 31 <sup>st</sup> March 2020 £000	Value at 31 <sup>st</sup> March 2019 £000
Fair value of assets	10,473	10,075
Present value of liabilities	(11,708)	(13,453)
	(1,235)	(3,378)
<b>Net deficit</b>	<b>(1,235)</b>	<b>(3,378)</b>

	2020 £000	2019 £000
Scheme deficit at the start of the year	(3,378)	(2,750)
Expense shown in SOCI	(8)	(8)
Employer contributions	338	316
Other finance (expense)	(74)	(66)
Actuarial gain/(loss)	1,887	(870)
	(1,235)	(3,378)
<b>Net deficit</b>	<b>(1,235)</b>	<b>(3,378)</b>

**Analysis of amounts charged to Consolidated Statement of Comprehensive Income**

	2020 £000	2019 £000
Current service cost	8	8
	8	8

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

	2020 £000	2019 £000
Expected return on Scheme assets	232	245
Interest on Scheme liabilities	(306)	(311)
	(74)	(66)
	(74)	(66)

**10. Employees (continued)**

**Analysis of amounts recognised in the Consolidated Statement of Comprehensive Income**

	<b>2020</b>	2019
	<b>£000</b>	£000
Actuarial gain/ (loss)	<b>1,887</b>	(870)
	<u>          </u>	<u>          </u>

**11. Tax on Surplus on Ordinary Activities**

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Current tax</b>		
UK corporation tax on surplus for the year	-	-
	<u>          </u>	<u>          </u>
<b>Current tax reconciliation</b>		
Surplus on ordinary activities before taxation	<b>1,519</b>	506
	<u>          </u>	<u>          </u>
Theoretical tax at UK corporation rate 19% (2019: 19%)	<b>289</b>	96
Effects of:		
Charitable income not taxable	<b>(289)</b>	(96)
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

## 12. Tangible Fixed Assets – Housing Properties

	Completed Properties		Under Construction	
	For Rent £000	*LCHO £000	For Rent £000	Total £000
<b>Cost</b>				
At 1 <sup>st</sup> April 2019	180,873	483	3,475	184,831
Development of New Properties	4	-	4,164	4,168
Newly Built Properties Acquired	3	-	2,627	2,630
Works to Existing Properties	1,221	5	54	1,280
Interest Capitalised	-	-	55	55
Disposals	(273)	(2)	-	(275)
Schemes Completed	4,936	-	(4,936)	-
<b>At 31<sup>st</sup> March 2020</b>	<b>186,764</b>	<b>486</b>	<b>5,439</b>	<b>192,689</b>
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2019	19,978	45	-	20,023
Charge for year	1,958	5	-	1,963
Disposals	(141)	(1)	-	(142)
<b>At 31<sup>st</sup> March 2020</b>	<b>21,795</b>	<b>49</b>	<b>-</b>	<b>21,844</b>
<b>Impairment</b>				
At 1 <sup>st</sup> April 2019 and 31 <sup>st</sup> March 2020	190	-	-	190
<b>Net book value</b>				
<b>At 31<sup>st</sup> March 2020</b>	<b>164,779</b>	<b>437</b>	<b>5,439</b>	<b>170,655</b>
At 31 <sup>st</sup> March 2019	160,705	438	3,475	164,618
* LCHO – Low Cost Home Ownership			2020 £000	2019 £000
<b>Housing properties cost comprises:</b>				
Freehold			184,586	176,775
Long leasehold			7,842	7,795
Short lease			261	261
			<b>192,689</b>	<b>184,831</b>
			2020 £000	2019 £000
<b>Expenditure on works to housing properties:</b>				
Amount capitalised			8,133	6,770
Amount charged to Income and Expenditure account			4,245	3,949
			<b>12,,378</b>	<b>10,719</b>



**13. Tangible Fixed Assets – Other**

	Freehold Office premises £000	Office furniture fittings and equipment £000	Computer equipment £000	Total £000
<b>Cost</b>				
At 1 <sup>st</sup> April 2019	1,979	266	720	2,965
Additions	1	7	98	106
Disposals	(2)	-	(95)	(97)
<b>At 31<sup>st</sup> March 2020</b>	<b>1,978</b>	<b>273</b>	<b>723</b>	<b>2,974</b>
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2019	287	19	431	737
Charge for year	20	28	131	179
Disposals	(1)	-	(95)	(96)
<b>At 31<sup>st</sup> March 2020</b>	<b>306</b>	<b>47</b>	<b>467</b>	<b>820</b>
<b>Impairment</b>				
At 1 <sup>st</sup> April 2019 and 31 <sup>st</sup> March 2020	857	-	-	857
<b>At 31<sup>st</sup> March 2020</b>	<b>815</b>	<b>226</b>	<b>256</b>	<b>1,297</b>
<b>At 31<sup>st</sup> March 2019</b>	<b>835</b>	<b>247</b>	<b>289</b>	<b>1,371</b>

The £857k impairment provision relates 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.

**14. Debtors**

	2020	2019
	£000	£000
<b>Due within one year</b>		
Arrears of rent and service charge	890	888
Less: provision for doubtful debts	(270)	(275)
	620	613
Managed Association (John Pease Cottages)	94	103
Amounts owed by Group companies	449	621
Other debtors	285	405
Prepayments and accrued income	272	39
	1,720	1,781
<b>Due after more than one year</b>		
Loan to managed Association (John Pease Cottages)	28	30
Employee loans	25	35
Mortgage debtors	101	226
	154	291
	1,874	2,072

The Board of Endeavour Housing Association, as the sole Corporate Trustee of John Pease Cottages is currently looking to formalise the balance owed to Endeavour Housing Association in the form of a long term loan.

**15. Investments**

	2020	2019
	£000	£000
Investments	30	30
	30	30

The Association purchased a shareholding of £30k in MORhomes PLC during 2019/20.

MORhomes is 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.

**16. Creditors: amounts falling due within one year**

	2020 £000	2019 £000
Housing loans (Note 18)	2,559	2,542
Other taxation and social security	-	4
Trade creditors	245	325
Other creditors	529	451
Accruals and deferred income	1,618	1,865
Deferred income grant	823	821
	5,774	6,008
	5,774	6,008

**17. Creditors: amounts falling due after more than one year**

	2020 £000	2019 £000
Housing loans (Note 18)	75,068	70,893
Deferred Income – grant	71,916	70,594
Disposal Proceeds Fund (DPF)	-	55
Recycled Capital Grant Fund (RCGF)	60	86
	147,044	141,628
	147,044	141,628

**Deferred income: summary of grant**

	2020 £000	2019 £000
Cost at 1 <sup>st</sup> April	82,668	81,628
Additions in the year	2,180	1,040
Disposals in the year	(33)	-
<b>At 31<sup>st</sup> March</b>	<b>84,815</b>	82,668
	84,815	82,668
Amortisation at 1 <sup>st</sup> April 2019	11,253	10,435
Charge in the year	825	818
Disposals in the year	(2)	-
<b>At 31<sup>st</sup> March</b>	<b>12,076</b>	11,253
	12,076	11,253
<b>Deferred income total at 31<sup>st</sup> March</b>	<b>72,739</b>	71,415
	72,739	71,415

**17. Creditors: amounts falling due after more than one year (continued)**

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 follows:

	2020 £000	2019 £000
Recognised in the Statement of Comprehensive Income	825	818
Held as deferred income	72,739	71,415
	73,564	72,233
	73,564	72,233

	RCGF £000	DPF £000	Total £000
Opening balance	86	55	141
Funds recycled from Right to Acquire sales	25	-	25
Grants re-utilised on new build properties	(51)	(55)	(106)
	60	-	60
	60	-	60

**18. Debt Analysis**

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

Housing loans are repayable in monthly and quarterly instalments at fixed and variable rates of interest. Fixed rates range from 3.84% to 10.58%.

Final instalments fall due to be repaid in the period from 2027 to 2038.

At 31<sup>st</sup> March 2020 the Association had undrawn facilities of £15.6m (2019: £22.3m). The maturity profile of the Association's borrowings is as follows:

	2020 £000	2019 £000
Within one year	2,559	2,542
Between one and two years	2,585	2,559
Between two and five years	12,940	12,845
In five years or more	60,312	56,293
Unamortised loan fees	(769)	(804)
	77,627	73,435
	77,627	73,435

**19. Provisions for Liabilities and Charges**

	2020 £000	2019 £000
Refurbishment Provision	124	116
	124	116

## 20. Share Capital

	2020	2019
	£	£
<b>Shares of £1 each issued and fully paid</b>		
At 1 <sup>st</sup> April	11	10
Shares issued during the year	1	3
Shares surrendered during the year	(4)	(2)
	8	11
<b>At 31<sup>st</sup> March</b>	8	11

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

## 21. Capital Commitments

	2020	2019
	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	2,210	3,195
	2,210	3,195
Capital expenditure that has been authorised by the Board but has not yet been contracted for	3,399	3,605
	3,399	3,605
	3,399	3,605

This expenditure will be funded from the Association's existing loan facilities and cash reserves.

## 22. Operating Lease Commitments

Non-cancellable operating lease rentals are payable as follows:

	2020	2019
	£000	£000
Less than one year	171	270
Between two and five years	589	595
More than five years	409	511
	1,169	1,376
	1,169	1,376

During the year £311k was recognised as an expense in the Statement of Comprehensive Income in relation to operating leases (2019: £314k).

## 23. Parent

The Association's Parent is North Star Housing Group Limited, a Registered Society (under the Co-operative and Community Benefits Societies Act 2015) and a Registered Provider incorporated in the UK.

The consolidated Financial Statements of North Star Housing Group Limited are available to the public online (<https://www.northstarhg.co.uk/about-north-star/corporate-information/financial-statements/>) and may also be obtained from Endeavour House, St. Mark's Court, Thornaby, Stockton-on-Tees, TS17 6QN.

## 24. Related Party Transactions

There were no Board members (2019: none) who were tenants of the Group during the period under review.

Endeavour Housing Association is the sole corporate Trustee of John Pease Cottages. During the year the following transactions arose between the Association and John Pease Cottages:

	<b>2020</b>	2019
	<b>£000</b>	£000
Management expenses recharged to John Pease Cottages	<b>3</b>	3
Day to day repairs recharged to John Pease Cottages	<b>5</b>	2
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

Other related party transactions and balances in relation to John Pease Cottages are disclosed in Note 14.

Amounts due to/(from) other Group members at the Balance Sheet date were as follows:

	<b>Group</b>	
	<b>2020</b>	2019
	<b>£000</b>	£000
North Star Association	<b>446</b>	460
Teesdale Housing Association	<b>2</b>	128
Darlington Housing Association	<b>-</b>	32
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

## 25. Accounting Estimates and Judgements

The following are the significant management judgements made in applying the accounting policies of the Group.

### Impairment of Tangible Assets

The Association considers whether tangible assets are impaired. For the purpose of impairment assessments, where an indication of impairment is identified, management estimates the recoverable value and the depreciated replacement cost of the cash generating units (CGU's).

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating surpluses. The Group has monitored closely the impact of COVID-19, focusing upon its performance in relation to arrears, voids and cash collection. The Group has not reported a material decline in performance during the pandemic and does not regard a trigger for impairment of tangible assets has been realised.

### Impairment of Debtors

The Association makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. Where there is an indication of a bad debt, a provision is charged against the operating surplus.