



NORTH STAR

Creating homes, building futures

North Star Housing Group

**Report of the Board and Financial Statements
Year Ended 31st March 2021**

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Board Members, Executive Directors, Advisors and Bankers

Board	Graeme Allinson (appointed 7 th December 2020) Paul Craggs David Lyall Jason Ridley Margaret Smith Mark Thompson Anna Urbanowicz (appointed Deputy Chair 1 st April 2021) Claire Warren Peter Waugh (Chair) Ann Worrall-Davies (resigned 30 th November 2020) David Walker (appointed 1 st August 2021) Simon Wake (appointed 1 st August 2021)
Chief Executive	Angela Lockwood
Executive Directors	Emma Speight, Executive Director of Assets & Growth James Walder, Executive Director of Finance & Business Support and Company Secretary Adam Clark, Executive Director of Customers Carole Richardson, Executive Director of People & Culture
Registered office	Endeavour House St. Mark's Court Thornaby Stockton-on-Tees TS17 6QN
Registered numbers	Co-operative & Community Benefit Societies Act 2014 – registered number 21256R Regulator of Social Housing registered number LH0084
External Auditor	Beever and Struthers St. George's House 215-219 Chester Road Manchester M15 4JE
Principal Bankers	Lloyds Banking Group Plc. 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 31st March 2021.

Organisation Structure and Activities

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

On 2nd November 2020, the Organisation consolidated its Group structure through a transfer of engagements legal mechanism to become a singular entity. The assets and liabilities of the former parent, NSHG 2020 Limited (formerly North Star Housing Group Limited) and fellow subsidiaries Teesdale Housing Association and Darlington Housing Association were transferred into the largest asset holding organisation within the former Group, Endeavour Housing Association. Endeavour Housing Association was subsequently renamed North Star Housing Group.

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

Results for the Year

The Organisation achieved an operating surplus for the year of £6,217k (2020: £5,744k) and an overall net loss for the year of £5,146k (2020: surplus of £2,707k). The results for the year include an exceptional cost of £953k relating to the refinancing project and bank loan break costs of £7,051k as shown within the Statement of Comprehensive Income.

Review of the Year and Future Developments

The UK economy has suffered the most severe downturn in modern times as a result of the Global Pandemic. It has also experienced disruption as a result of Brexit. Despite this we are pleased to report another year of strong financial performance for the Organisation. 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 and fiscal measures introduced to manage the economic environment has influenced both these factors. With such a dynamic environment, close scrutiny of performance and risk has been critical as has detailed Business Plan scenario stress tests that have been carried out throughout.

During the year we delivered our planned Organisation consolidation and ambitious Refinancing Project implementing more efficient organisational funding. This has resulted in a stronger business, as it not only simplified the structure of the Organisation and funding arrangements, it also ensured we had investment capacity to meet ambitions at competitive rates well into the future.

The Value for Money section of this report contains further details about the performance of the Organisation during the year.

During the year we accelerated our approach to technology and home working as a result of the Pandemic. The customer portal - My North Star - was further developed to continue providing speedy and responsive online services with over 60% of tenants signed up for the service with an online chat facility introduced. We developed virtual housing allocations and repair inspections and switched very quickly to electronic document signing. The telephony system was enhanced for home working and supporting technology was delivered to enable staff to homework effectively. We experienced an increase in productivity during this period and all our performance data confirms this. The experience informs our future approach to the workplace, and we have established that staff prefer a hybrid week, with both office and home working combined. This provides flexibility, fluidity and protects organisational culture that is underpinned through strong and effective relationships which are best achieved in person. The blended week provides for both.

We ended the year with overall customer satisfaction at 90% which is 2% lower than our target but still relatively high when we consider the significant disruption to services and in particular repairs delivery as a result of Pandemic lockdowns. We conducted the Institute of Customer Services standard survey during the year. This provided rich data on the impact of tenant services during the Pandemic. We scored relatively high and were 10 points above the nearest landlord with the same score as Aldi who were placed 9th on the overall sector wide "league table". We achieved very high scores on culture.

We delivered 72 new homes through the Homes England Shared Ownership and Affordable Homes Programme, slightly short of our target of 76 with a further 69 in the pipeline. 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 was 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 and have included initial retrofit investment in the 30 year Business Plan.

We delivered an ICT infrastructure project moving to Office 365 using a Cloud based solution. This has boosted staff confidence, has allowed issues to be rectified quickly and facilitated the upscaling of technology. Consequently, we have enhanced our digital management, cyber security and speed, with improved efficiency and productivity.

Whilst we were pleased with our year end performance and in many areas, we achieved the targets, there were some areas that proved more challenging which are detailed in the VfM section of this report.

We expected and planned for significant performance impact because of COVID-19 which did not emerge to any great extent. We performed well against our main KPI's. We were able to continue with our repairs service to some extent during the Pandemic, and all supported housing schemes were managed throughout with no major issues. Our links and communications with customers were enhanced with regular welfare calls and all frontline services were operational. We do though remain concerned about 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.

During the year we were reaccredited with Investors in People (IIP) Platinum with even higher scores than achieved previously, despite the disruption. The embedded culture of working with high levels of trust, influence and decision making, supports our way of operating. In the IIP survey results 100% of staff (on a 93% response rate) said they felt trusted to do their job and 98% trusted the leadership. This will keep us flexible, fluid and prepared for the future.

The Organisation'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. We are encouraged by the commitment from Government to level up, and the emerging economic growth and future plans from the Combined Authority. Our plans to meet Government's carbon targets by 2030 and 2050 are being developed and we have included investment in the Business Plan. This will be continually reviewed as more information and detail emerges. We can confidently meet the 2030 Government targets that require that our properties meet EPC C level as a minimum.

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 their 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 trust, openness, and transparency.

Our Board has worked relentlessly during the year and adapted very quickly to virtual meetings. A Chair elect, a new Chair of Risk and Audit Committee and Chair of Remuneration and Employment Conditions committees have been appointed. A leading-edge Board Diversity programme has been established with three North Eastern Housing Associations, supported by the Housing Diversity Network. North Star is supporting four people on this two-year programme aimed at developing people to assist with Board under-representation. We can now start our BAME apprenticeship programme which has been successful in providing opportunities in a targeted way to assist with workforce under representation. Our activity on Equality, Diversity and Inclusion (EDI) continues to develop with a firm commitment at Board levels to drive this agenda forward. We are determined to ensure we have EDI culturally embedded.

North Star remains very strong in every respect, which can be attributed to robust 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 December 2020.

Governance Structure

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

- The Organisation's Board
- The Risk and Audit Committee
- The Remuneration and Employment Conditions Committee

North Star has a maximum Board of ten people – there will be more than ten members during 2021/22 as new Board members are recruited in advance of the retirement of three Board members. North Star values diversity and is committed to do all it can to represent the communities it provides services to. In that regard it has very open and transparent recruitment processes.

The Organisation Board (the Board) meets at least six times a year for regular business and as an overlapping Board these meetings covered all members of the Organisation. The Organisation Risk and 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. During the year there were working groups set up in relation to the recruitment of new Board members and the Refinancing project.

A key element of Governance is the Tenant Scrutiny Group which reports directly to, and has private dialogue with, the Board. There is a jointly agreed programme of service areas for scrutiny, which result in robust and detailed reports, often leading to service improvements. This is a valued contribution to both Governance and tenant engagement.

Corporate Governance

The Organisation 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 2020/21 and no issues noted.

The Board has signed up to the updated and amended National Housing Federation Code of Governance from 1st April 2021. North Star fully complies with all of the Regulatory Codes, which are annually self-assessed and has recently signed up to the Housing Ombudsman Complaints Handling Code. The Organisation operates from the most up to date set of rules that were fully reviewed during the group consolidation process in 2020. At this point Standing Orders and Financial Regulations were also fully updated. The consolidation of the Group into one Organisation has significantly simplified the business and its reporting.

The Organisation 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 Business Plan is agreed by the Board annually and reviewed biannually. There was a detailed stress testing session with Board in January 2021 and the Business Plan approved by Board in April 2021. Thorough sensitivity analysis is applied, and all assumptions are independently checked and reviewed. The Business Plan is then rigorously stress tested so that the Board understand the circumstances that cause major failure. These are mainly linked to significant unplanned costs or the impact of a rent decrease on a scale never experienced.

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 2020.

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

The Board ensures that succession is well planned through regular reviews of terms of office and an independently led annual appraisal process and Board and Risk and Audit Committee effectiveness reviews. Board member skills, knowledge and attributes are reviewed, taking into account current and future needs. Board members undertake training and development and have access to a wide range of seminars and conferences. In addition, they meet together frequently outside of Board meetings to develop relationships and share strategic thinking as part of their ongoing commitment to be a generative Board, underpinned by its essential fiduciary requirements.

A complex and changing world places great demands on Boards and in this context the North Star Board ensures it has all the skills to meet these requirements. Constantly reviewing how it operates against agreed guiding principles, directing as appropriate, planning as needed and strategic emphasise as a constant. Strong management of risk is integral and a critical part of its Governance and the Board ensures risks are recognised early, and mitigations in place. Both Board and Risk and Audit Committee have important and complementary roles, scrutinising risk processes and outcomes.

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 Senior Management Team (SMT) holds any interest in the share capital of the Organisation. These arrangements are reviewed at least every three years by an external consultant and were last reviewed in 2020.

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

In December 2020, the Board approved an updated set of Standing Orders that included revised Terms of Reference for the Risk and Audit Committee and Remuneration and Employment Conditions Committee.

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

Employees

The Organisation highly values its employees and their continued health and well-being. A cultural change process that has led to the Organisation working with high levels of trust and accountability has been very successful, as evidenced in our business success and achievement of the Investors in People Platinum 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 Approach

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

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 summary, what VFM means to us includes:

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

Our comprehensive approach 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. Board lead and drive VFM across the business.

A sustained focus on Value for Money (VFM) is essential if we are to achieve our strategic objectives. To quote from the vision to 2023: *“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”*.

Within the vision are the following corporate objectives that contain VFM:

Growth, Customers, Culture, Partnerships, Resources, Governance and Technology and Digitisation

The insight, experience and challenge of customers supports North Star to achieve its value for money objectives. Specifically involving customers enables us to:

- Improve efficiency, acting on feedback relating to the quality and performance of our services to drive improvements.
- Achieve greater value from our supply chain, informing procurement of services delivered to customers.

Finally, staff also play a critical role in the delivery of VFM. We were the first Housing Association in England to be awarded Investors in People (IIP) Platinum accreditation. 100% of staff stated that they are:

- Encouraged to take the initiative in my role.
- Trusted to make decisions.
- Encouraged to achieve high performance.

99% of staff stated that they are responsible for improving things and that North Star is always seeking new ways to improve.

Board, customers and staff all combine to ensure VFM is at the core of the business and embedded in everything we do at North Star.

Peer Groups











We compare performance to peer organisations to enable us to learn and improve how we do things.






We use a standard Peer group that has been selected because of the similarities to North Star. We do though accept its limitations because of the diversity of the sector as there are no two Housing organisations alike. The standard peer group is taken from organisations in the North East, North West, Yorkshire and Humberside with between 2,500 and 7,500 units with supported housing.

North Star Housing Group	Leeds Federated HA Ltd
Broadacres HA Ltd	Mosscares St. Vincent's Housing Group Ltd
Calico Homes Ltd	Muir Group HA Ltd
Community Gateway Association Ltd	South Lakes Housing
Connect HA Ltd	South Liverpool Homes Ltd
Equity Housing Group Ltd	South Yorkshire HA Ltd
Irwell Valley HA Ltd	Southway Housing Trust (Manchester) Ltd
'Johnnie' Johnson Housing Trust Ltd	Weaver Vale Housing Trust Ltd

2020/21 Performance against Targets

Target achieved or exceeded  Achievement of target delayed  Target not met 

Strategic Objective	Metric/Projects	2020/21 Target	2020/21 Performance	
Customers	Carry out Institute of Customer Service (ICS) survey of tenants	First survey in 2020/21	ICS survey carried out in the year and score of 82.9 for customer satisfaction compared favourably to a peer median of 75.3	
	% customer satisfaction with repairs service	92%	Achieved satisfaction of 90%	
	£ of Social value delivered	£2.8m	£5.2m of social value delivered	
	% customer satisfaction with overall service	92%	Performance of 90% - the quality of the repairs service during the year impacted this metric	
	% of tenancy turnover	12%	Performance of 10.2% - this metric has been impacted by the lockdowns during the year	
Growth	Number of units delivered (overall)	76	72 units delivered in the year	
	Number of supported housing units delivered	5 units per year	4 units delivered as part of the Move on Fund programme	
Culture	Retain IIP Platinum accreditation	Formal assessment in September 2020/21	Retained IIP Platinum status with improved scores in all areas	
Profile and Reputation	Retain G1/V1 ratings	Assessed annually	Retained G1/V1 rating in December 2020	
Resources	Deliver operating efficiencies (including procurement savings)	£125k	£300k delivered – see section below on efficiency for more details.	

	% of time lost to sickness	3%	1.52%	
	Increase the borrowing capacity of the Group	Refinancing Project to be completed by November 2020	Project completed in November 2020 and resulted in significant increase in borrowing capacity	
Technology and Digitisation	% of customers accessing online services	55%	59% of customers registered on My North Star	
	% of customers reporting repairs through My North Star self-service portal	20%	We had 12% of our customers report repairs through My North Star	
Governance	Consolidation of Group structure	Part of the Refinancing Project which will be completed by November 2020	Consolidation of the Group completed in November 2020 as part of the refinancing project	

Areas outside of target are:

Repairs Service & Overall Customer Satisfaction

Our repair services are carried out by external contractors. During the Pandemic and Lockdown these contractors experienced challenges with labour resources, the reliability of sub-contractors, access to materials and high levels of turnover within administrative teams. This affected performance. Staff have worked with the contractors to improve services and as a result satisfaction has risen to 93% as at April 2021. There was some inevitability that satisfaction with disrupted services would reduce and in fact a 90% satisfaction level during COVID-19 was relatively good. Using all of our learning from COVID-19 we have commenced a full review of our repairs service, recognising this as a critical service to tenants and its effect on landlord performance overall. In creating “a repairs service for the future” we are involving all stakeholders including staff and tenants in this comprehensive review which will be completed by September 2022.

New Homes

During the first Lockdown work on our five development sites ceased causing inevitable delay to planned handover dates. The sites were up and running as soon as it was safe and restrictions lifted, but it was impossible to fully recover the lost time.

% Repairs Reported on My North Star

For three months during the first Lockdown we limited repairs to emergency jobs only. Therefore, there was a reduction in repairs reported generally which included reporting repairs via the digital process. This was an unusual set of circumstances.

VFM Activity During 2020/21

Financial Outturn 2020/21

£'000	2017	2018	2019	2020	2021	2021
	Actual	Actual	Actual	Actual	Actual	Budget
Revenue	19,530	19,717	19,861	20,381	20,740	21,138
Operating expenditure	(12,741)	(13,551)	(14,200)	(14,840)	(14,605)	(15,353)
Operating surplus	6,789	6,166	5,661	5,541	6,135	5,785
Operating margin (%)	34.8%	31.3%	28.5%	27.2%	29.6%	27.4%
FA surplus	90	100	183	172	50	67
Interest	(2,817)	(2,757)	(3,056)	(3,004)	(2,554)	(2,868)
Net surplus	4,062	3,509	2,788	2,709	3,631	2,984
Net margin (%)	20.8%	17.8%	14.0%	13.3%	17.5%	14.1%

The table excludes exceptional items relating to the merger with Darlington HA in 2016/17, office refurbishment in 2017/18 and 2018/19 and the refinancing project in 2020/21.

The rent decrease impacted the operating margin in the period 2017-2020. However, the margin has increased in 2020/21 despite the challenges of COVID-19. The biggest impact from COVID-19 was the delays to the development programme that reduced revenue. However, this was mitigated by savings on salary costs, staff overhead costs and a range of other areas.

Social Value

We care about the people and communities we serve. It's a key strategic choice to invest in our communities, enabling a broader approach to value which considers the social, financial and economic impacts of work in our communities, this helps protect our assets.

North Star operate in some of the most challenging and disadvantaged parts of the country. Official figures show Middlesbrough and Hartlepool in the top ten most deprived local authority areas in the UK. Middlesbrough has the highest proportion of income deprived households and 41% of children living in poverty.

During the year we invested **£230k** (6% of our net surplus) to a range of local projects engaging and empowering our customers. This included **£56k** for the community investment programme, **£31k** for tenant participation and scrutiny and **£143k** for staffing. This year our social value work reached and benefitted **7,312** people, generated **£54k** of funding and supported **31** different projects.

North Star measures and reports on the impact of community investment using a suite of measures and outcomes which mix qualitative (views and opinions) and quantitative (facts and figures). In 2020/21 we have delivered **£5.2m** of social value across our business. This is calculated using the HACT methodology (<https://www.hact.org.uk/calculating-your-social-value>) This figure is made up of:

- **£4m** generated by community investment projects.
- **£256k** generated by tenant connection activity.
- **£614k** generated by planned maintenance activity
- **£300k** generated by positive move on from supported accommodation

Growth

Growth of our Organisation has always been a core strategic objective. Increasing the number of homes, we own and manage not only diversifies, rejuvenates and adds value to our business; it strengthens our commitment to our communities, provides housing for people in need and helps deliver our social purpose objectives. Growth also assists in maintaining our high profile, motivates our staff and keeps us dynamic. North Star's Board is committed to growth and it remains a strategic priority,

We developed 72 new units in 2020/21 using Homes England Grant (HE) that included six supported housing units where we accessed funding from the HE Move on Fund. The Strategic

Growth Strategy was revised and approved by Board in March 2021 which included the financial appraisal model.

Asset Management

Our property portfolio is diverse. Our Asset Management Strategy sets out how we manage, maintain, dispose and review the performance of our stock. We hold stock condition data on over 96% of our assets which is externally validated every two years. This robust data helps to inform our strategic decisions relating to stock investment. Our investment programme is developed to not only ensure high quality works, but it aims to combine efficiencies through procurement. During 2020/21 we spent **£2.7m** to improve 695 homes and the surrounding environments.

We are developing our approach to the decarbonisation of stock and know that this will require significant investment. Our 2021 Business Plan includes our first estimate of £43.4m over the next 30 years for decarbonisation. This requires further development and honing to include emerging thinking and technologies. We see this as a starting point. We aim to maximise our investment by accessing grant subsidy and to work collaboratively with Local Authorities and peers to achieve efficiencies for North Star through joint research and procurement.

Projects

There were also two significant projects delivered in 2020/21 which delivered VFM.

Review of our Treasury and Governance Arrangements

This project involved the consolidation of the Group and refinancing during 2020/21. The project had VFM at its heart and there were four objectives that were all achieved:

Objective	Outcome
To increase the development of new units	Increased from 290 to 590 units over the next eight years
To improve the financial resilience of North Star	Reduced refinancing, covenant and interest rate risk plus strong performance on stress testing in Business Plan
To simplify governance and funding structures	Now a single entity with only four funders
To deliver Value for Money	Business Plan net surplus increased from £85m (April 2020) to £179m (April 2021)

Underpinning the main objectives was the need to optimise utilisation of the Organisation’s stock portfolio security arrangements to create additional borrowing capacity. This was fully achieved with current asset cover ratios on the new funding at 105% (Economic in Use Value) and 115% (Market Value subject to Tenancy). We also have significant liquidity in place (in excess of £40m at 31st March 2021) and have approximately £30m of unencumbered stock.

ICT Infrastructure

During 2020/21 we tendered for a new ICT infrastructure partner. The procurement process had a strong focus on delivering VFM. The requirement of the new partner was to secure long term cost certainty, flexibility to increase our server capacity to meet the future needs of the business and a specific requirement to deliver further efficiencies over the period of the contract.

Our move to the new infrastructure will provided some significant benefits with minimal cost increases including enhanced security with Multi-Factor Authentication, a cloud-based infrastructure providing resilience and flexibility to provide for the future digital aspirations of North Star.

ECONOMY

2020/21 Savings Delivered

The delivery of savings is a key component in both the 2020/21 budget and the 30-year business plan. The annual budget includes savings targets of £125k which are included in the business plan. We exceeded the targets by a significant margin.

Some of the key savings made in 2020/21 are captured below:

Saving	Value
Vacant posts were held whilst we reviewed roles and functions.	£318k
We worked with our tax advisors to maximise the VAT recovery of the refinancing project costs.	£100k
We used in house resources to deliver training, design corporate artwork and coordinate thank you gifts for all staff.	£10k
We continue to benefit from the investment into the development of staff who can facilitate organisational and people development, reducing the need for external consultants.	£40k
The procurement of new contracts delivered savings – most of these were on maintenance compliance contracts.	£119k

Reinvestment Activities

Strong financial management enables us to outperform the budget that has enabled us to reinvest elsewhere in the business providing us with flexibility and fluidity. This approach was particularly useful during the year as it enabled us to respond to emerging Pandemic issues, therefore most of the reinvestment activity has been in response to COVID-19 to minimise its impact on customers and the business:

- Sightcall, an investment of **£18k**, allowed tenants to share videos of their property to ensure the accurate diagnosis of repairs.
- We invested over **£20k** in equipment to allow staff to work from home providing ICT kit and furniture where needed.
- We spent **£40k** on developing a new electronic invoice processing module. As well as streamlining the invoice approval process and providing a more robust control environment, this will save around **£5k** a year on paper and printing costs.
- We provided our front-line staff and in particular our supported housing staff with PPE for protection – we spent over **£22k** on PPE.
- Additional funding to support organisations working in our communities. Our investment increase from an average of £247k for the last three years to just over **£280k** in 2020/21.

Many of these investments will provide continued efficiencies.

EFFICIENCY

These are improvements or changes which may not directly impact or reduce costs but provide improved ways of doing things reducing staff time that can then be re-directed elsewhere. During the year we have delivered the following:

- New ways of remote working were introduced for staff and customers. Microsoft TEAMS allowed staff to stay connected while working from home.
- Housing staff introduced a remote property letting process utilising DocuSign to enable customers to digitally sign documents.
- Staff used videos to complete remote property viewings – this created a much more flexible and simpler process for potential tenants to view properties.
- Sightcall allowed property surveyors to diagnose repairs without visiting a property – this reduced travel time and resulted in a simpler process.

- The digitisation of back-office processes such as rent refunds and invoice processing made the processes simpler and quicker for staff to request and administer.

EFFECTIVENESS

VFM is also about the effectiveness of the Organisation as well as the economy and efficiency. The following demonstrates how we capture effectiveness of delivering our strategic objectives with a focus on customers.

Customers

We capture customer satisfaction in two ways, through transactional surveys with customers after specific interactions or services and secondly through an annual survey focusing on customer’s perception of North Star.

Customer Satisfaction

We capture independently gathered satisfaction data covering several service areas. This is benchmarked against other housing providers using the HouseMark scheme. The performance is set out below including actions for key areas of underperformance:

Satisfaction with	North Star Housing Group					HouseMark Benchmark Quartile Position	Actions
	2018/19	2019/20	Target 2020/21	2020/21			
The overall service	87.5%	92.3%	92%	90%	Upper	Review requirements for the repairs service of the future with staff and customers	
Maintenance	89%	88.3%	92%	90%	Median		
Quality of their home	85%	87.8%	90%	84%	Median	Complete a review in this area to better understand poor performance.	
Value for Money (Rent)	92.6%	94.4%	95%	92%	Upper	Improve communication and consultation with customers on rent and service charge setting	
Complaint management	90.3%	65.9%	93%	100%	Upper	None	
ASB management	100%	96%	100%	100%	Upper	None	

We have been working with our contractors to improve our repairs service and know that we need to improve communication and reduce the number of missed appointments.

The satisfaction with the quality of the home is 84%. We need to do some specific work with our customers to understand performance in this area to improve outcomes.

As at 31st March 2021 92% of customers felt that their rent provided VFM, this has reduced in the last year. We are strengthening communication and consultation with customers on processes relating to rent and service charge setting ahead of the 2022/23 financial year. We know there is a focus in the Social Housing White Paper on VFM and in particular transparency and we will be working with TVSP and our customers to meet these requirements.

We are also members of the institute of Customer Service (ICS) that enables access to leading edge research on the customer experience, connection with customer service innovators operating in a range of sectors and a non-housing sector benchmarking scheme, the UK customer service index (UKCSI).

Detailed research from ICS the shows a direct correlation between great customer service and the financial performance of an organisation which can help drive VFM.

We carried the ICS customer perception survey in August 2020. 540 customers completed the survey and North Star scored 82.9/100, comparable with the top 10 organisations operating nationwide. The public services average score is 75.3.

Performance

Another measure of organisational effectiveness is the stated Key Performance Indicators along with targets and comparator data.

Performance Area	2018/19	2019/20	Target 2020/21	2020/21	HouseMark Quartile Position
Current arrears – General Needs & Older Persons (GN&OP)	1.94%	2.29%	2.75%*	2.50%	Median
Current arrears – Supported	0.53%	0.79%	0.75%	0.70%	Not available
% rent lost through homes being empty (GN&OP)	1.2%	0.85%	1.2%*	1.02%	Upper
% rent lost through homes being empty (Supported)	1.77%	3.70%	4%*	2.72%	Not available
Tenancy turnover rate	14.2%	12.9%	12%	10.2%	Lower
Average number of repairs per property	3.6	3.8	3.7	3.1	Median
% of appointments kept	91.3%	95.8%	95.0%	93%	Lower
% of gas services completed before expiry date at quarter end	99.9%	100%	100%	100%	Upper
% of time lost to sickness	3.1%	3.2%	3.0%	1.5%	Not available

*[*2020/21 target adjusted in light of COVID-19 Pandemic]*

During the first Lockdown, the Government introduced emergency legislation suspending all but exceptional possession proceedings and relaxation of processes. Consequently, North Star did not complete any evictions in 2020/21. Research by Shelter has previously identified a cost of c.£7k associated with evicting tenants. Learning from this period is being reviewed and implemented with the intent of sustaining low levels of evictions and robust arrears performance going forward. The Welfare Benefit team supported 447 households to increase their income by £715k, of which £128k is direct gains to rent accounts.

The turnover of properties reduced from 12.9% to 10.2% which assisted with the improved performance.

The average number of repairs per property has reduced mainly as a result of the Pandemic. More information on this area is included in the benchmarking section of this report.

Regulator of Social Housing (RSH) VFM Metrics

The Regulator sets out standard metrics which are used to measure and compare key performance.

The tables below show the performance on these VFM metrics over the last three years.

RSH metrics	2018	2019	2020	2021	2018	2019	2020
	NS	NS	NS	NS	Peer	Peer	Peer
Units	3,643	3,686	3,734	3,786	82,909	83,446	83,863
1. Reinvestment %	4.0%	5.1%	5.0%	3.0%	5.3%	6.5%	7.5%
2. New supply delivered %	0.87%	1.34%	1.78%	1.75%	1.00%	1.30%	1.50%
3. Gearing %	42.0%	42.9%	43.0%	45.9%	39.4%	38.9%	40.0%
4. EBITDA MRI interest cover %	213%	189%	194%	65%	228%	180%	169%
5. HSCU	£3,506	£3,641	£3,550	£3,449	£3,348	£3,635	£3,732
6. Operating Margin %	31%	29%	27%	30%	28%	23%	20%
7. ROCE	3.3%	3.0%	2.7%	2.9%	4.3%	3.8%	3.3%

There is no peer group data available yet for 2020/21.

1. Reinvestment Metric

North Star is consistently lower than its peers for this metric which captures the level of capital spend on new development and existing properties. The table below shows that this is due to less capital spend on both new development and existing properties in North Star. The North Star investment in existing homes is based on stock condition data; this is updated on a rolling seven-year basis and verified every two years by an external consultant. This was last carried out in March 2021 and concluded that the stock condition data has a high level of accuracy.

North Star development investment in 2021 was impacted by the pandemic lockdown.

	2018	2019	2020	2021	2018	2019	2020
	NS	NS	NS	NS	Peer	Peer	Peer
Units	3,643	3,686	3,734	3,786	82,909	83,446	83,863
1. Reinvestment %	4.0%	5.1%	5.0%	3.0%	5.3%	6.5%	7.5%
Existing homes	0.90%	1.00%	0.80%	0.73%	1.50%	1.60%	1.60%
New Units	3.1%	4.0%	4.2%	2.3%	3.8%	4.9%	5.9%

2. New Supply Delivered

North Star developed 65 new units in 2021 which is consistent with prior years and higher than the peer median. A further seven units were completed but not handed over to housing management by 31 March 2021.

3. Gearing

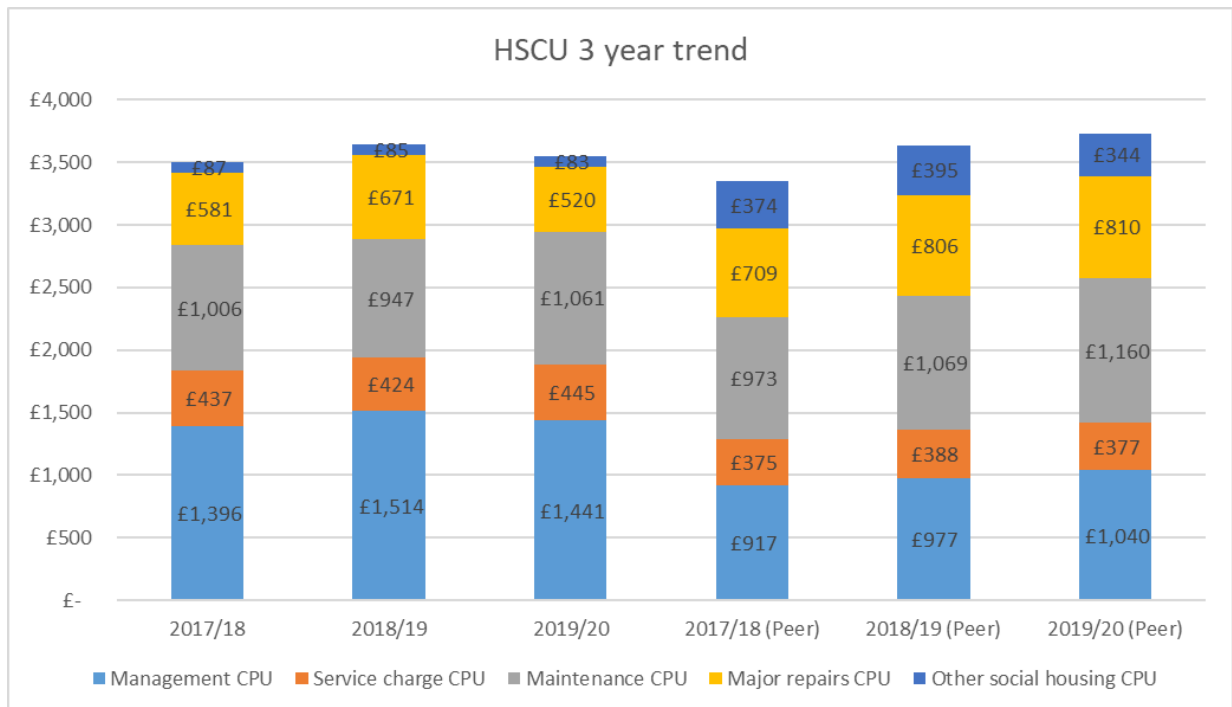
North Star gearing has increased to 46% compared to a peer median of 40%. The increase in gearing was because of the successful refinancing project. The median gearing for the sector, as per the global accounts report, is 44%. In addition, the North Star gearing is well within the gearing covenant of 65%.

4. EBITDA MRI Interest Cover

This metric is skewed as it includes over £7m of bank loan exit costs which was a one-off payment. This was planned and agreed as part of the refinancing project, and whilst negatively impactful in one year, the refinancing provides significant resource going forward and has been a major plank of our VFM activity during the year. If exit costs are excluded this metric would increase to 255%.

5. Headline Social Cost Per Unit (HSCU)

The graph below shows how the HSCU has changed for North Star and our standard peer group over the last three financial years:



The North Star HSCU has increased by 1.2% over the last three years compared to an increase of 11.5% for our peers. Our management CPU has increased by just over 3% and maintenance costs are up by 5.5%. Pay awards are the main driver for the higher management costs. The increase in maintenance is due to an increase in the level of spend on health and safety. Strategic decisions were made in relation to both areas.

Our HSCU has remained relatively static over the last four years and has actually decreased by 1.7% to £3,449 in 2020/21. There is no peer or sector data for 2020/21 yet available but in the previous three years the HSCU has increased by over 10% for our peers and 13% for the sector. Despite the total North Star HSCU being lower than the peer median, the North Star management cost per unit (CPU) is higher than our peers. As the raw data is taken from the statutory accounts of Associations it is hard to drill down any further. Additionally, there is no sector wide approach to the allocation of costs, which makes absolute comparisons difficult. We have carried out further analysis into this by using HouseMark data (which is submitted using a standard approach) and this has shown that management costs within North Star are comparable to our peers.

6. Operating Margin

The North Star operating margin has remained consistently higher than our peers – it was impacted by the four years of rent decreases but is now back over 30%.

7. Return on Capital Employed (ROCE)

This metric has remained around 3% across the last four years and is lower than the peer median. The metric for our peers includes surplus from property sales which increases the ROCE. With the exception of Right to Buy North Star does not have any property sales and therefore has a lower ROCE.

HouseMark








In addition to using the RSH metrics, we are members of HouseMark the main sector benchmarking tool used by the sector. This allows us to compare cost and performance data at a more granular level. The analysis of the 2019/20 data showed that:

- Our tenancy turnover had improved but was still in the 4th quartile.
- Our repairs per property was higher than our peers.
- Overhead costs had reduced over the last three years.

- Our costs in the key areas of housing management, maintenance and overheads were at median or better with details shown in the table below.

Metric	North Star 2019/20	Peer Median 2019/20
Housing Management Cost per Unit	£323	£324
Maintenance Cost per unit (capital and revenue)	£1,747	£1,978
Overhead as a % of revenue	14.2%	14.4%

We don't use the standard peer group for comparison on HouseMark as not enough of these organisations submit data to HouseMark. Our HouseMark peer group is organisations based on the North East and North West with up to 5,000 units. This provides a peer group of 20 organisations.

Indicator	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Draft	Trend	2019/20 Peer
Units Developed	31	63	65	72		49
% respondents very/fairly satisfied with the service	88.9%	87.5%	92.3%	90.0%		87.4%
£ invested in communities	£224k	£246k	£249k	£280k		£246k
Occupancy rate	98.9%	98.8%	98.9%	99.2%		99.0%
Ratio of responsive repairs to planned maintenance	0.47	0.50	0.49	0.51		0.61
Rent collected %	100.6%	99.1%	102.0%	99.6%		99.1%
Overheads as a % of adjusted turnover	11.2%	12.0%	10.9%	10.5%		13.7%

We also submit benchmarking data to HouseMark as part of the Sector Scorecard analysis:

There are improving trends on four metrics, one relatively static metric and the customer satisfaction and rent collected metrics have negative trends. Over 50% of our rent is paid directly to the Organisation through Housing Benefit payments which are paid monthly in arrears. The reduced rent collected figure is as a result of the timing of these payments. The customer satisfaction metric has already been explained earlier in this report.

We will continue to use the HouseMark data to improve cost and performance and understand how we perform in relation to our peers.

2021/22 and Beyond

VFM is at the heart of our corporate objectives, budgeting and business planning processes. The budget for 2021/22 is used as Year 1 of our 2021 Business Plan which included savings of £23.5m across the next 30 years. These savings are incremental over the first five years of the plan and then continue across the remaining 25 years of the plan. The strong VFM culture will be key in ensuring we achieve, and if possible, over deliver on the savings targets set in the 2021/22 budget and 30-year business plan.

2021/22 Value for Money Targets and Objectives

Strategic Objective	Action	Target
Customers	Implement real-time customer feedback.	Introduce Rant & Rave platform to capture and analyse customer feedback. Return on investment completed August 2021.
Customers	Review the supported housing vision	Review will be used to inform continued growth of supported housing
Customers	Review priority communities to invest in those most impacted by the pandemic	Review will inform the community investments made in 2021/22 and future years
Customers	Review customer satisfaction with 'quality of their home' and 'rent providing VFM'	New approach for rent and service charge setting to be used for 2022/23 charges. Report to Board (from TVSP) on the customer commitment review
Growth	Develop 50 new homes including 5 supported housing	50 new units by 31 st March 2022
Growth	Review the sustainability of our stock in Gresham	Report to be shared with Board in September 2021
Growth	Secure external funding for retrofit works	Target to get grant income of £60k (10% of total budgeted spend on retrofit)
Culture	Develop a comprehensive Green Strategy	Strategy to be shared with Board in January 2022
Resources	Deliver procurement savings	£45k target included in the 2021/22 budget
Resources	Deliver savings through vacant posts	£80k target included in the 2021/22 budget
Resources	Develop a Decent Homes Standard for our existing properties (in accordance with the Government timelines for review)	Approach to be shared with Board as part of Asset Management Strategy in June 2022
Resources	Review the high number of repairs per property to understand any root causes	Report and action plan to be shared with SMT by December 2021
Resources	Improve our tenancy sustainment and reduce our tenancy turnover	Target to reduce tenancy turnover KPI to under 10%
Resources	Review of the repairs service	Review will be used to inform future procurement of repairs service
Technology	Delivery of the first year of the ICT strategy: <ul style="list-style-type: none"> • Integration of Office 365 including Power BI for reporting • Support the Paper Scarce project with the digitisation of back office processes • Implement a new telephony solution 	<ul style="list-style-type: none"> • Use of Power BI for performance reporting to Board and within in the business • Continued reduction in paper use. Target to reduce by 25% • Transition to digital telephony platform

Future RSH Metrics

	2022	2023	2024	2025	2026
	<i>Budget</i>	<i>Plan</i>	<i>Plan</i>	<i>Plan</i>	<i>Plan</i>
1. Reinvestment %	6.5%	4.8%	6.5%	5.9%	5.8%
2. New supply delivered %	1.95%	1.91%	1.87%	1.84%	1.81%
3. Gearing %	48.1%	47.2%	47.1%	46.6%	46.1%
4. EBITDA MRI interest cover %	212%	208%	222%	279%	281%
5. HSCU	£3,786	£3,946	£4,095	£3,850	£3,894
6. Operating Margin %	30%	30%	32%	32%	32%
7. ROCE	2.9%	3.0%	3.2%	3.2%	3.2%

The most significant change in the RSH metric is the higher level of HSCU – this is due to additional investment in our properties due to the profile of stock condition data and decarbonisation measures.

Conclusion

Value for Money remains at the heart of everything that North Star does.

There is a range of information on costs, performance and projects for 2020/21 that demonstrate VFM has been delivered. In addition, areas of underperformance have been identified and action plans are in place to improve in these areas in 2021/22.

Internal Controls Assurance

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

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

The Board has received the annual review of the effectiveness of the system of internal control for the Organisation and the Annual Report of the Internal Auditor.

The process for identifying, evaluating and managing the significant risks faced by the Organisation is ongoing and has been in place throughout the period commencing 1st April 2020 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 was then 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 2020 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 Risk and Audit Committee and ad-hoc working groups.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts.
- An updated version of the Financial Regulations and Standing Orders as approved by the Board in December 2020.
- Formal recruitment, retention, training and development policies for staff and Board.

- Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- A risk management framework was approved by the Board in March 2020 which includes the '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 2020/21 review concluded that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and that those systems were aligned to an on-going process for the management of the significant risks facing the Organisation.
- An Internal Audit function which agrees an annual programme of work with the Risk and 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 2020/21 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 December 2020 Centrus were appointed as the new retained treasury advisors to the Organisation.
- Updated 'Golden Rules', which cover liquidity, covenants and key operational metrics and reflect the new funding agreements. 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.

Risk Management

The Standing Orders, approved by Board in December 2020 state that:

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

The Risk Management Framework was approved by Board in March 2020 and sets out the roles and responsibilities for risk management as well as the risk management process.

Risk Management Responsibilities

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

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

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

Risk Management Process

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

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

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

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

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

The Operational Risk Register is also reported to the RAC annually.

Risk Management Activity 2020/21

This section captures the key risk management activity in 2020/21:

- Created a specific COVID-19 risk register to ensure Board had visibility of the impact that COVID-19 could have on the Organisation and risk registers.
- Where relevant a specific project risk register is created – during the last year there were specific risk registers for the refinancing project and the ICT infrastructure project.
- During the year the Board worked with an independent consultant to review the risk appetite. The risk reports to Board and RAC have been developed to include the new risk appetite.

There is a robust risk management framework in place with clear responsibilities set for Board, RAC and the Risk Group and a clear risk management process in place.

Financial Risk Management

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

Credit Risk

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

The Organisation'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 Organisation's management, based on prior experience. Performance on arrears has been strong in 2020/21 despite the impact of COVID-19.

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

Interest Rate Risk

The Organisation's policy is to ensure that between 70% and 100% of its long term borrowings are held on fixed interest rate arrangements with a range of maturity dates to ensure that the Organisation's exposure to significant movements in interest rates is limited. As a result of the refinancing project in November 2020, 100% of the debt was fixed and this is still the position at 31st March 2021. The level of fixed rate debt is forecast to remain above 80% across the 30 year business plan.

Liquidity Risk

The Organisation continues to ensure that its liabilities can always be met when due and that adequate liquidity is at all times available to meet unexpected expenditure requirements that may arise from time to time. One of our 'Golden Rules' prescribes a minimum level of cash reserves.

Going Concern

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

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

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

The Organisation business plan that was approved by Board in April 2021 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 Organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Organisation continues to adopt the going concern basis in preparing these Financial Statements.

Disclosure of Information to Auditor

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

Auditor

A resolution to re-appoint Beever & Struthers as Auditor will be proposed at the Board meeting on 13th September 2021.

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 Organisation and of the income and expenditure of the Organisation 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 Organisation 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 Organisation and enable it to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Organisation and to prevent and detect fraud and other irregularities.

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

Approval

This Report was approved by the Board on 13th September 2021 and signed on its behalf by:



P Waugh
Chair

Independent Auditor's Report to North Star Housing Group

Opinion

We have audited the financial statements of North Star Housing Group (the 'Association') for the year ended 31st March 2021 which comprise of the Association Statement of Comprehensive Income, the Association Statement of Financial Position, the Association Statement of Cash Flows, the Association Statement of Changes in Reserves and the notes to the financial statements, including a summary of significant accounting policies in Note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Association's affairs as at 31st March 2021 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on Which we are Required to Report by Exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities in respect of the Board's annual report and the financial statements set out on Page 21, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Extent to which the Audit was Considered Capable of Detecting Irregularities, including Fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

Use of our Report

This report is made solely to the Association, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association 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

Statutory Auditor
St George's House
215-219 Chester Road
Manchester
M15 4JE


Date: 13th September 2021

Association Statement of Comprehensive Income
for the year ended 31st March 2021

	Note	Year ended 31 st March 2021 £000	Year ended 31 st March 2020 £000
Turnover	3	20,740	20,381
Operating expenditure	3	(14,573)	(14,809)
Operating surplus subtotal	3	<u>6,167</u>	<u>5,572</u>
Surplus on disposal of fixed assets	7	50	172
Operating surplus	3	6,217	5,744
Amortisation of intangible assets & goodwill	16	(32)	(31)
Interest receivable and similar income	8	9	27
Interest payable and similar charges	9	(3,336)	(3,031)
Bank Loan Break Cost	9	(7,051)	-
Costs linked to Merger	27	(953)	-
(Deficit)/Surplus for the year before taxation		(5,146)	2,709
Tax on surplus on ordinary activities	13	-	(2)
(Deficit)/Surplus for the year after taxation		(5,146)	2,707
Other comprehensive (expense)/income			
Actuarial (losses)/gain in respect of pension scheme	12	(1,635)	1,745
Employer withdrawal from scheme		217	-
Total comprehensive income for the year		(6,564)	4,452

All results derive from continuing activities.

These Financial Statements were approved by the Board and authorised for issue, on 13th September 2021 signed on its behalf by:



P Waugh
(Chair of Board)



J Ridley
(Chair of Risk and Audit Committee)



J Walder
(Secretary)

*The Notes on Pages 30 to 57 form part of these financial statements.

Association Statement of Financial Position
at 31st March 2021

	<i>Note</i>	At 31st March 2021 £000	At 31st March 2020 £000
Fixed assets			
Housing properties	14	205,444	202,046
Other tangible assets	15	1,258	1,297
Intangible assets	16	164	196
		206,866	203,539
Current assets			
Investments	17	30	30
Debtors (including £252k (2020: £177k) due after more than one year)	18	2,204	2,156
Cash and cash equivalents		7,070	5,745
		9,304	7,931
Creditors: amounts falling due within one year	19	(5,400)	(6,921)
		3,904	1,010
Total assets less current liabilities		210,770	204,549
Creditors: amounts falling due after more than one year	20	(179,798)	(168,130)
Provisions for liabilities and charges			
Pensions	12	(2,595)	(1,488)
Other provisions	22	(134)	(124)
		28,243	34,807
Capital and reserves			
Called up share capital	23	-	-
Restricted reserves		439	411
Revenue reserves		29,279	34,675
Pension reserves		(1,475)	(279)
		28,243	34,807
		28,243	34,807

These Financial Statements were approved by the Board and authorised for issue, on 13th September 2021 signed on its behalf by:



P Waugh
(Chair of Board)



J Ridley
(Chair of Risk and Audit Committee)



J Walder
(Secretary)

*The Notes on Pages 30 to 57 form part of these financial statements

**Association Statement of Cash Flows
for the year ended 31st March 2021**

	Year ended 31 st March 2021 £000	Year ended 31 st March 2020 £000
Cash flows from operating activities		
(Deficit)/Surplus for year	(5,146)	2,707
<i>Adjustments for non-cash items:</i>		
Depreciation of tangible fixed assets	3,025	2,839
Amortisation of tangible fixed assets	32	31
Amortisation of Government grant	(916)	(892)
Decrease in trade and other debtors	28	40
Increase/(decrease) in trade and other creditors	1,010	(322)
Increase in provisions	10	8
Pension costs less contributions payable	(311)	(236)
Surplus on sale of tangible fixed assets	(50)	(172)
Write off of tangible fixed assets	(7)	140
Government grants utilised in the year	30	(106)
<i>Adjustments for financing activities:</i>		
Interest payable	10,387	3,031
Interest received	(9)	(27)
	<hr/>	<hr/>
Net cash from operating activities	8,083	7,041
Cash flows from investing activities		
Purchase of tangible fixed assets	(6,435)	(10,108)
Proceeds from sale of tangible fixed assets	107	279
Grants received	1,355	2,464
Interest received	9	27
	<hr/>	<hr/>
Net cash from investing activities	(4,964)	(7,338)
Cash flows from financing activities		
Interest paid	(10,387)	(3,031)
New secured loans	102,600	6,700
Repayments of borrowings	(93,931)	(2,578)
Net decrease in other loans	(76)	23
	<hr/>	<hr/>
Net cash from financing activities	(1,794)	1,114
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,325	817
Cash and cash equivalents at 1 st April	5,745	4,928
	<hr/>	<hr/>
Cash and cash equivalents at 31st March	7,070	5,745
	<hr/> <hr/>	<hr/> <hr/>

*The Notes on Pages 30 to 57 form part of these financial statements

Association Statement of Changes in Reserves
for the year ended 31st March 2021

	Share capital £000	Restricted reserves £000	Revenue reserve £000	Pension reserve £000	Total reserve £000
Balance at 1st April 2019	-	408	31,971	(2,024)	30,355
Total comprehensive income for the financial year					
Surplus for the year	-	-	2,707	-	2,707
Other comprehensive income					
Actuarial loss recognised in the pension scheme	-	-	-	1,745	1,745
Transfer to restricted reserves	-	3	(3)	-	-
Balance at 31st March 2020 & 1st April 2020	-	411	34,675	(279)	34,807
Total comprehensive income for the financial year					
Deficit for the year	-	-	(5,146)	-	(5,146)
Unwinding of Durham County Council Pension fund	-	-	(222)	439	217
Other comprehensive income					
Actuarial loss recognised in the pension scheme	-	-	-	(1,635)	(1,635)
Transfer to restricted reserves	-	28	(28)	-	-
Balance at 31st March 2021	-	439	29,279	(1,475)	28,243

*The Notes on Pages 30 to 57 form part of these financial statements

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

Basis of Accounting

These Financial Statements are prepared in accordance with the Housing SORP 2018: (Statement of Recommended Practice for registered social housing providers), the Housing and Regeneration Act 2008, the 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 Pounds Sterling. The Association has taken the exemption not to restate business combinations that took place prior to 1st April 2014.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements. The accounts are prepared under the historical cost basis of accounting.

Basis of Consolidation

The Group was created on 3rd July 2006 when North Star Housing Group Limited assumed control of Endeavour Housing Association Limited and Teesdale Housing Association Limited. Darlington Housing Association Limited later joined the North Star Group in October 2016. As subsidiaries, Endeavour Housing Association Limited, Teesdale Housing Association Limited and Darlington Housing Association Limited were consolidated with the results of North Star Housing Group in accordance with FRS102, Section 9 for financial results presented as at the 31st March 2020.

On 2nd November 2020, the Association consolidated its Group structure through a transfer of engagements legal mechanism to become a single entity. The assets and liabilities of the parent, NSHG 2020 Limited (formerly North Star Housing Group Limited) and subsidiaries Teesdale Housing Association and Darlington Housing Association were transferred into the largest asset holding entity within the former Group, Endeavour Housing Association. Endeavour Housing Association was subsequently renamed North Star Housing Group.

Merger Accounting

In the Association's financial statements, merged subsidiary undertakings are treated as if they had already been a member of the Association. The results of such a subsidiary are included for the whole period, whilst operating as both a former Group member and a consolidated entity from 2nd November 2020 as further itemised within Note 30. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous Statement of Financial Position date and the shares issued by the Association as consideration as if they had always been in issue. Merger expenses are charged to the Statement of Comprehensive Income as part of the surplus or deficit of the combined entity at the effective date of the Group consolidation.

Going Concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted in the business plan updated for 2021/22.

The Association has closely monitored impact on the business during the period of the pandemic. The Association has not recorded a deterioration in its operating performance during the year. There is a deficit recorded in 2020/21 due to the refinancing project. New and restated loan agreements entered into during the year allowed for the exclusion of loan break costs from any covenant calculations relating to 2020/21. Subsequently the assessment

2. Accounting Policies (*continued*)

has been made that it continues to be appropriate to prepare these Financial Statements on a going concern basis.

Judgements

Key Judgements applied in preparation of these financial statements;

Categorisation of Housing Properties

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

Impairment

As a result of changes in the operating environment due to COVID-19, we have identified that there is a trigger for impairment and have therefore performed an impairment review of our housing properties. As a result of this review, we have concluded that this does not result in an impairment charge of any of our housing properties.

Development Expenditure

The Association capitalises development expenditure in accordance with the accounting policy described on Page 32. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Estimates

Key Estimates applied in preparation of these financial statements;

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

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

2. Accounting Policies (*continued*)

causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income.

Housing Properties

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

Properties are transferred from schemes under construction to completed schemes on practical completion.

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

The Association operates a component accounting policy in relation to the capitalisation and depreciation of its completed housing property stock. All housing properties are split between their land, structure costs and a set of major components which require periodic replacement. Refurbishment or replacement expenditure on such major components is capitalised and depreciated over the estimated useful economic lives of the components.

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
Electrics	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.

Depreciation of Housing Properties

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

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. No finance costs are capitalised during this period if active development is suspended. Finance costs are capitalised at an appropriate rate commensurate to the Association's treasury portfolio and is reviewed periodically.

Capitalisation of Overhead Costs

Staffing and overhead costs relating to development of new properties are capitalised as a cost of bring the asset into use.

2. Accounting Policies (*continued*)

Low Cost Home Ownership (LCHO)/Shared Ownership Properties

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

Other Fixed Assets and Depreciation

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

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

Intangible Fixed Assets and Amortisation

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

Short Term Debtors & Creditors

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

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

Cash and Cash Equivalents

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

Bad Debt Provision

The Association holds a provision for bad and doubtful debts. 100% of former tenant arrears are provided for at the point of tenancy termination. The Association applies the following formula for calculating a provision for its current tenant arrears net of Housing Benefit.

- 30% of arrears for balances less than £999
- 50% of arrears for balances greater than £1,000

The Association has taken a more prudent view of its estimate during the year to reflect the impact of COVID-19. Prior to 2020/21, the Association provided for 20% of the total of all current tenant arrears net of Housing Benefit.

2. Accounting Policies (*continued*)

Provisions

Provisions represent the Association's liabilities to carry out future repairs on managed schemes as detailed in Note 22.

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. All SHG received by the Association is to assist with the cost of development of its housing properties, and therefore there is an ongoing linkage between the cost of constructing housing properties and Government grant.

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

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

Recycling of Capital Grant

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

Restricted Reserves

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

Turnover & Revenue Recognition

Turnover of the Association represents rental income, service charges and other income receivable from properties owned or managed by the Association and amortisation of Social Housing Grant (SHG) under the accruals method. Rental Income is recognised when the property is available for let, net of void loss. Income from property sales is recognised upon legal completion.

Supported Housing Schemes Managed by Agents

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

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

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

2. Accounting Policies (*continued*)

Service Charges

Service charge income and costs are recognised on an accruals basis. The Association operates variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Where periodic expenditure is required, the Association will incur a capital cost on behalf of residents and recharge the depreciation through the service charge until full recovery is made.

Right to Buy Sales

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

The gains or losses on disposal of Right to Buy properties are recognised in the Statement of Comprehensive Income at the date of transfer of title after deducting the element of proceeds that is payable to the Local Authority under the Right to Buy sharing arrangement.

Taxation

The Association post consolidation and its former subsidiary undertakings prior to consolidation; are considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 meeting the definition of charitable companies for UK corporation tax purposes. Accordingly, the afore referenced undertakings are potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The former parent company, NSHG 2020 Limited, was not charitable and therefore liable for corporation tax.

VAT

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

Leased Assets

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

Categorisation of Debt

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

Pension Costs

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

- Defined Contribution Scheme

- **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.

2. Accounting Policies (continued)

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

- Defined Benefit Scheme

Durham County Council Pension Fund

Up until 31st October 2020 the Association was a contributing member of the Durham County Council Pension Fund (DCCPF). The Pension Scheme surplus (to the extent that it is recoverable) or deficit is recognised in full in the financial statements. The movement in the Scheme surplus/deficit is split between operating charges, finance items and, in the Statement of Comprehensive Income, actuarial gains and losses.

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

3. Turnover, Operating Expenditure and Operating Surplus

	2021			2020		
	Turnover £000	Operating Expend £000	Operating Surplus £000	Turnover £000	Operating Expend £000	Operating Surplus £000
Social housing lettings	20,424	(14,571)	5,853	20,000	(14,740)	5,260
Other social housing activities						
Supporting people	267	-	267	218	-	218
Other	29	-	29	140	-	140
	296	-	296	358	-	358
Non-social housing activities						
Other	20	(2)	18	23	(69)	(46)
Total	20,740	(14,573)	6,167	20,381	(14,809)	5,572

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

	General Housing £000	Supported Housing £000	LCHO £000	Other Housing £000	Total 2021 £000	Total 2020 £000
Turnover from social housing lettings						
Rent receivable net of identifiable service charges	13,916	2,270	124	174	16,484	16,187
Service charge income net of voids	180	2,080	13	-	2,273	2,162
Charges for support services	-	26	-	-	26	26
Net rental income	14,096	4,376	137	174	18,783	18,375
Amortised Government Grants	650	266	-	-	916	892
Other income from lettings	7	706	-	6	719	710
Other grants	6	-	-	-	6	23
Turnover from social housing lettings	14,759	5,348	137	180	20,424	20,000
Expenditure on social housing lettings						
Management	2,746	1,712	-	51	4,509	5,348
Service charge costs	317	1,333	2	13	1,665	1,660
Routine maintenance	1,783	431	12	43	2,269	1,928
Planned maintenance	1,159	502	9	8	1,678	2,035
Major repairs expenditure	1,032	139	3	-	1,174	469
Bad debts	180	9	-	8	197	327
Property lease charges	16	156	-	100	272	311
Depreciation of housing properties	2,316	490	1	-	2,807	2,662
Operating expenditure on social housing lettings	9,549	4,772	27	223	14,571	14,740
Operating surplus/(deficit) on social housing lettings	5,210	576	110	(43)	5,853	5,260
Void losses	(138)	(122)	(1)	(17)	(278)	(292)

4. Accommodation in Management and Development

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

	No. of Properties 2021		No. of Properties 2020	
	Owned	Managed	Owned	Managed
SOCIAL HOUSING				
Under Development at Year End				
General Needs Housing Social Rent	-	-	-	-
General Needs Housing Affordable Rent	67	-	46	-
Supported Housing	2	-	6	-
Housing for Older People	-	-	-	-
Intermediate Rent	-	-	-	-
Low Cost Home Ownership	-	-	-	-
	69	-	52	-
Under Management at Year End				
General Needs Housing Social Rent	2,229	67	2,232	75
General Needs Housing Affordable Rent	859	1	803	1
Supported Housing	275	-	271	-
Housing for Older People	193	-	193	-
Intermediate Rent	17	-	18	-
Low Cost Home Ownership	15	-	15	-
	3,588	68	3,532	76
	3,734	65	(13)	-
	3,786	-	-	3,786

	2020 No	Additions No	Disposals No	Movements No	2021 No
Summary Owned and/or Managed					
General Needs Housing Social Rent	2,307	2	(11)	(2)	2,296
General Needs Housing Affordable Rent	804	59	-	(3)	860
Supported Housing	397	4	(2)	6	405
Housing for Older People	193	-	-	-	193
Intermediate Rent	18	-	-	(1)	17
Low Cost Home Ownership	15	-	-	-	15
	3,734	65	(13)	-	3,786
	3,734	65	(13)	-	3,786

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

There were a further 7 (2020: nil) general needs affordable rent units which had reached practical completion but had not been handed over to housing management by 31 March 2021.

The Association owns 127 (2020: 123) supported housing units as set out in Note 5 that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

5. Accommodation Managed by Others

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

	2021	2020
SOCIAL HOUSING		
Under Management at Year End		
Supported Housing	127	123
Registered Care Homes	3	3
	130	126
	130	126

6. Operating Surplus

This is arrived at after charging/(crediting):

	2021	2020
	£000	£000
External Auditor's remuneration in their capacity as auditors	46	50
External Auditor's remuneration for the provision of other services	-	7
Depreciation of housing properties	2,807	2,662
Depreciation of other tangible fixed assets	218	177
Surplus on sale of Fixed assets	(50)	(172)
Amortisation of government grants	(916)	(892)
Operating lease rentals	292	311
	50	172
	50	172

7. Surplus on Disposal of Fixed Assets

	2021	2020
	£000	£000
Disposal proceeds	117	376
Carrying value of fixed assets and costs of disposal	(27)	(167)
Retained by Durham County Council	(30)	(18)
Capital Grant Recycled	(10)	(19)
	50	172
	50	172

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

8. Interest Receivable and Similar Income

	2021	2020
	£000	£000
Interest Receivable and Similar Income	9	27
	9	27
	9	27

9. Interest Payable and Similar Charges

	2021 £000	2020 £000
Funder Loan interest	2,593	2,993
Amortisation of loan fees	773	40
Other interest expense on SHPS (pension scheme Note 12)	31	76
Other interest expense on LGPS (pension scheme Note 12)	-	1
	3,397	3,110
Less interest capitalised (Note 14)	(61)	(79)
	3,336	3,031
Bank loan break costs	7,051	-
	10,387	3,031
	10,387	3,031

10. Payments to Members of the Board

The members of the Board received the following emoluments:

	2021 £000	2020 £000
Relating to North Star Housing Group Board membership	38	44
	38	44
	38	44

	2021 £	2020 £
Jed Lester	-	10,443
Peter Waugh	9,209	5,167
Morgan McClintock	-	3,481
Linda Bird	-	3,481
Pat Buckley	-	1,544
Paul Craggs	3,744	3,481
Anna Urbanowicz	5,195	4,767
David Lyall	3,744	3,481
Anne Worrall-Davies	2,367	3,481
Jason Ridley	4,492	4,177
Claire Warren	3,744	870
Mark Thompson	2,856	-
Graeme Allinson	2,442	-
	37,793	44,373
	37,793	44,373

Expenses reimbursed to members of the Association's Board were £827 (2020: £3,410).

11. Directors' Emoluments

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

	Basic salary £000	2021 Pension contributions £000	Total £000	2020 Total £000
Chief Executive Officer	138	8	146	144

The Chief Executive is an ordinary member of the Social Housing Pension Scheme, has no enhanced or special pension terms and has no other pension arrangements to which the Association contributes. Pension contributions during the year totalled £8k (2020: £8k).

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

	Basic salary £000	2021 Pension contributions £000	Total £000	2020 Total £000
Executive Director of Finance & Business Support and Company Secretary	108	5	113	109
Executive Director of Customers	92	3	95	57
Executive Director of Assets & Growth	107	5	112	110
Executive Director of People & Culture	88	3	91	87
Aggregate emoluments of Executive Directors	395	16	411	363
Aggregate emoluments of Executive Directors including Chief Executive & Board Members	571	24	595	551

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

	2021 No.	2020 No.
£60,001 - £70,000	6	4
£80,001 - £90,000	1	2
£90,001 - £100,000	1	-
£100,001 - £110,000	2	2
£130,001 - £140,000	1	1

The ratio of the highest paid to lowest paid full-time equivalent employees in the Association is 7:1 (2020: 9:1).

12. Employees

Average monthly number of employees:

	2021 Number	2020 Number
Housing and support	49	50
Development	5	5
Administration	10	13
Other	26	29
	90	97

12. Employees (*continued*)

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

	2021 Number	2020 Number
Housing and support	49	44
Development	5	5
Administration	10	11
Other	25	29
	89	89
	89	89
	2021 £000	2020 £000
Wages and salaries	3,114	3,035
Social security costs	304	323
Durham County Council Pension Fund	16	42
Pension costs: Social Housing Pension Scheme	151	148
	3,585	3,548
	3,585	3,548

The Association participates in two Pension Schemes: the Social Housing Pension Scheme (SHPS) and the Durham County Council Pension Fund (DCCPF).

The Social Housing Pension Scheme (SHPS)

The Organisation 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 30th December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30th September 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 30th September 2026.

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

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

For financial years ending on or after 31st March 2019, it is possible to obtain sufficient information to enable the Organisation 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 30th September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31st March 2019 to 29th February 2020 inclusive.

12. Employees (*continued*)

Similarly, actuarial valuations of the scheme were carried out as at 30th September 2019 to inform the liabilities for accounting year ends from 31st March 2020 to 28th February 2021 inclusive, and as at 30th September 2020 to inform the liabilities for accounting year ends from 31st March 2021 to 28th February 2022 inclusive.

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

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

	31st March 2021	31 st March 2020
	%	%
Discount Rate	2.17	2.38
RPI Inflation	3.28	2.63
CPI Inflation	2.86	1.63
Salary Increases	3.66	2.63

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

	Asset Split at 31st March 2021 £000	Asset Split at 31 st March 2020 £000
Global Equities	1,894	1,552
Absolute Return	656	553
Distressed Opportunities	343	205
Credit Relative Value	374	291
Alternative Risk Premia	448	741
Fund of Hedge Markets	1	6
Emerging Markets Debt	480	321
Risk Sharing	433	359
Insurance -Securities	285	326
Property	247	234
Infrastructure	792	790
Private Debt	283	214
Opportunistic liquid credit	302	256
High Yield	356	-
Credit Opportunities	326	-
Corporate Bonds	702	605
Liquid credit	142	6
Long Lease Property	233	181
Secured Income	494	402
Liability Driven Investments	3,020	3,521
Net Current Assets	72	46
	<hr/>	<hr/>
Total Assets	11,883	10,609
	<hr/>	<hr/>

12. Employees (continued)

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

	Value at 31st March 2021 £000	Value at 31st March 2020 £000
Fair value of assets	11,883	10,609
Present value of liabilities	(14,478)	(11,880)
Net (deficit)	(2,595)	(1,271)

	Assets £000	Liabilities £000	(Deficit)/Surplus £000
Opening Fair Value 1 st April 2019	10,207	(13,648)	(3,441)
Actuarial gains/(losses)	155	1,757	1,912
Employer contributions	344	-	344
Net benefits paid out	(332)	332	-
Current service costs	-	(10)	(10)
Interest Cost	235	(311)	(76)
Closing Fair Value 31 st March 2020	10,609	(11,880)	(1,271)
Opening Fair Value 1 st April 2020	10,609	(11,880)	(1,271)
Actuarial gains/(losses)	974	(2,609)	(1,635)
Employer contributions	352	-	352
Net benefits paid out	(282)	282	-
Current service costs	-	(10)	(10)
Interest Cost	230	(261)	(31)
Closing Fair Value 31 st March 2021	11,883	(14,478)	(2,595)

Analysis of amounts charged to Consolidated Statement of Comprehensive Income

	2021 £000	2020 £000
Current service cost	10	10

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

	2021 £000	2020 £000
Expected return on Scheme assets	230	235
Interest on Scheme liabilities	(261)	(311)
	(31)	(76)

12. Employees (*continued*)

Analysis of amounts recognised in the Consolidated Statement of Comprehensive Income

	2021	2020
	£000	£000
Actuarial (loss)/gain	(1,635)	1,912
	(1,635)	1,912

The Durham County Council Pension Fund (DCCPF)

In June 2020, Associations Board approved Teesdale Housing Association (THA) to exit the Local Government Pension Scheme (LGPS) with Durham County Council (DCC). THA subsequently withdrew from the scheme as an employer on 31st October 2020. Having previously entered into a subsumption agreement in 2018, THA were exempt from crystallising an exit cost as a result of exiting the scheme.

Exiting the scheme ensured all North Star staff received the same offer relating to pension benefits as well as removed any future risk associated with accounting treatment and increases to employer contributions.

The DCCPF is part of the Local Government Pension Scheme (LGPS) with benefits earned up to 31st March 2014 being linked to final salary. Benefits after 31st March 2014 are based on a Career Average Revalued Earning Scheme. Details of the benefits earned over the period covered are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provision, Savings and Amendment) Regulations 2014'.

The funded nature of the LGPS requires participating employers and their employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31st March 2019 and the contributions to be paid until 31st March 2023 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

The Fund Administering Authority, Durham County Council, is responsible for the governance of the Fund.

The assets allocated to the employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return over the accounting period. The Fund holds a significant proportion of its assets in liquid investments. As a consequence, there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liability. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is shown in the disclosures below.

The Fund Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform, this yield will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures. A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with inflation meaning that an increase in inflation will increase the deficit.

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities. Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet

12. Employees (*continued*)

any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers within the Fund. Further, the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

In December 2018 the Association signed a Subsumption Agreement with Durham County Council. As a 'subsumed body' North Star Housing Group is no longer required to pay deficit contributions or be liable for an exit payment against the DCCPF.

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

	31 st March 2021	31 st March 2020
	%	%
Discount Rate	-	2.3
CPI Inflation	-	2.0
Pension Increases	-	2.0
Pension Accounts Revaluation Rate	-	2.0
Salary Increases	-	3.0

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

	Asset Split at 31 st March 2021	Asset Split at 31 st March 2020
	%	%
Equities	-	47.1
Government Bonds	-	28.5
Property	-	8.1
Corporate Bonds	-	12.3
Cash	-	4.0
	<hr/>	<hr/>
Total	-	100
	<hr/> <hr/>	<hr/> <hr/>

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

	Value at 31 st March 2021	Value at 31 st March 2020
	£000	£000
Fair value of assets	-	2,682
Present value of liabilities	-	(2,899)
	<hr/>	<hr/>
Net deficit	-	(217)
	<hr/> <hr/>	<hr/> <hr/>
	2021	2020
	£000	£000
Scheme deficit at the start of the year	(217)	(28)
Current service cost	-	(36)
Past service credit	-	(6)
Employer contributions	-	21
Other finance expense	-	(1)
Actuarial loss	-	(167)
Employer withdrawal from scheme	217	-
	<hr/>	<hr/>
Net deficit	-	(217)
	<hr/> <hr/>	<hr/> <hr/>

12. Employees (continued)

Analysis of amounts charged to Consolidated Statement of Comprehensive Income

	2021 £000	2020 £000
Current service cost	-	36
	<u> </u>	<u> </u>

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

	2021 £000	2020 £000
Expected return on Scheme assets	-	(69)
Interest on Scheme liabilities	-	68
	<u> </u>	<u> </u>
	-	(1)
	<u> </u>	<u> </u>

Analysis of amounts recognised in the Consolidated Statement of Comprehensive Income

	2021 £000	2020 £000
Actuarial loss	-	(167)
Employer withdrawal from scheme	217	-
	<u> </u>	<u> </u>

13. Tax on Surplus on Ordinary Activities

	2021 £000	2020 £000
Current tax		
UK corporation tax on surplus for the year	-	2
Adjustments in respect of prior years	-	-
	<u> </u>	<u> </u>
Total Tax Charge in the Income Statement	-	2
	<u> </u>	<u> </u>
Current tax reconciliation		
Surplus on ordinary activities before taxation	(1,057)	2,709
	<u> </u>	<u> </u>
Theoretical tax at UK corporation rate 19% (2020: 19%)	(201)	515
Effects of:		
Charitable income not taxable	-	(520)
Non-deductible expenses	106	15
Adjustment from previous periods	-	-
Deferred Tax not provided	95	(8)
	<u> </u>	<u> </u>
	-	2
	<u> </u>	<u> </u>

14. Tangible Fixed Assets – Housing Properties

	Completed properties		Under construction	
	For rent £000	*LCHO £000	For rent £000	Total £000
Cost				
At 1 st April 2020	221,931	1,040	5,492	228,463
Development of New Properties	1	-	4,703	4,704
Works to Existing Properties	1,488	2	-	1,490
Interest Capitalised	-	-	61	61
Disposals	(293)	(1)	-	(294)
Schemes Completed	9,046	-	(9,046)	-
At 31st March 2021	232,173	1,041	1,210	234,424
Depreciation				
At 1 st April 2020	26,110	116	-	26,226
Charge for year	2,794	13	-	2,807
Disposals	(244)	-	-	(244)
At 31st March 2021	28,660	129	-	28,789
Impairment				
At 1 st April 2020 and 31 st March 2021	191	-	-	191
Net book value				
At 31st March 2021	203,322	912	1,210	205,444
At 31 st March 2020	195,630	924	5,492	202,046
*Low Cost Home Ownership				
Housing properties cost comprises:			2021	2020
Freehold			£000	£000
Long leasehold			223,668	216,881
			10,756	11,582
			234,424	228,463
			2021	2020
			£000	£000
Expenditure on works to housing properties:				
Amount capitalised			1,490	1,469
Amount charged to Income and Expenditure account			1,242	469
			2,732	1,938

15. Tangible Fixed Assets – Other

	Freehold office premises £000	Office furniture fittings and equipment £000	Computer equipment £000	Total £000
Cost				
At 1 st April 2020	1,978	273	723	2,974
Additions	-	-	179	179
Disposals	-	-	(255)	(255)
At 31st March 2021	1,978	273	647	2,898
Depreciation				
At 1 st April 2020	306	47	467	820
Charge for year	19	28	171	218
Disposals	-	-	(255)	(255)
At 31st March 2021	325	75	383	783
Impairment				
At 1 st April 2020 and 31 st March 2021	857	-	-	857
Net Book Value				
At 31st March 2021	796	198	264	1,258
At 31st March 2020	815	226	256	1,297

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

16. Intangible Fixed Assets

	Goodwill £000
Costs	
At 1 st April 2020 and 31 st March 2021	630
Amortisation	
At 1 st April 2020	434
Charge for year	32
At 31st March 2021	466
Net book value	
At 31st March 2021	164
At 31 st March 2020	196

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

17. Investments

	2021 £000	2020 £000
Other Investment	30	30
	30	30
	30	30

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

18. Debtors

	2021 £000	2020 £000
Due within one year		
Arrears of rent and service charge	1,098	1,150
Less: provision for doubtful debts	(306)	(312)
	792	838
Loan to managed Association (John Pease Cottages)	-	94
Other debtors	522	463
Prepayments and accrued income	638	584
	1,952	1,979
Due after more than one year		
Loan to managed Association (John Pease Cottages)	114	28
Employee loans	37	48
Mortgage debtors	101	101
	252	177
	2,204	2,156

19. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Housing loans (Note 21)	39	2,639
Corporation Tax	-	2
Other taxation and social security	4	6
Trade creditors	465	333
Other creditors	694	638
Accruals and deferred income	3,254	2,403
Deferred income - grant	944	900
	5,400	6,921
	5,400	6,921

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

	2021 £000	2020 £000
Housing loans (Note 21)	101,267	89,998
Deferred Income (Grant)	78,438	78,069
Recycled Capital Grant Fund (RCGF)	93	63
	179,798	168,130

		RCGF £000
Opening balance		63
Grants re-utilised on new build properties		30
Closing balance		93

Deferred income: summary of grant	2021 £000	2020 £000
Cost at 1 st April	93,161	90,731
Additions in the year	1,315	2,504
Disposals in the year	(30)	(34)
Grant in advance	40	(40)
At 31st March	94,486	93,161
Amortisation at 1 st April	14,192	13,302
Charge in the year	916	892
Disposals in the year	(4)	(2)
At 31st March	15,104	14,192
Deferred income total at 31st March	79,382	78,969

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:

	2021 £000	2020 £000
Amounts falling due within one year	944	900
Amounts failing due after more than one year	78,438	78,069
	79,382	78,969
Recognised in the Statement of Comprehensive Income	15,104	14,192
Held as deferred income	79,382	78,969
	94,486	93,161

21. Housing Loans Analysis

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

Housing loans are repayable in monthly instalments at either fixed or variable rates of interest ranging from 2.22% to 15.875%. The final instalments fall due to be repaid in 2060.

At 31st March 2021 the Association had undrawn facilities of £35m (2020: £16.85m). The maturity profile of the Association's borrowings is as follows:

	2021 £000	2020 £000
Within one year	39	2,639
Between one and two years	43	2,670
Between two and five years	159	13,215
In five years or more	101,156	74,976
Unamortised loan fees	(91)	(863)
	<u>101,306</u>	<u>92,637</u>

22. Provisions for Liabilities and Charges

	2021 £000	2020 £000
Refurbishment provision	134	124

23. Share Capital

	2021 £	2020 £
Shares of £1 each issued and fully paid		
At 1 st April	8	11
Shares issued during the year	2	1
Shares surrendered during the year	(1)	(4)
At 31st March	<u>9</u>	<u>8</u>

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

24. Capital Commitments

	2021 £000	2020 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	1,973	2,574
Capital expenditure that has been authorised by the Board but has not yet been contracted for	8,515	3,712

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

25. Operating Lease Commitments

Non-cancellable operating lease rentals are payable as follows:

	2021	2020
	£000	£000
Land & Buildings:		
Less than one year	214	192
Between two and five years	752	620
More than five years	595	409
Others:		
Less than one year	25	-
Between two and five years	62	-
More than five years	-	-
	1,648	1,221

During the year £292k was recognised as an expense in the Statement of Comprehensive Income in relation to operating leases (2020: £311k).

26. Related Party Transactions

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

	2021	2020
	£000	£000
Management expenses recharged to John Pease Cottages	7	3
Day to day repairs recharged to John Pease Cottages	2	5
	9	8

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

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

	2021	2020
	£000	£000
Endeavour Housing Association	-	(446)
Teesdale Housing Association	-	45
Darlington Housing Association	-	(1)
	-	(402)

27. Costs linked to Merger

During the period North Star consolidated its former Group structure whilst simultaneously refinancing large proportions of legacy bank debt. On 2nd November 2020, using a transfer of engagements legal mechanism, the assets and liabilities of North Star Housing Association, Teesdale Housing Association and Darlington Housing Association were transferred into Endeavour Housing Association. Endeavour Housing Association was subsequently renamed North Star Housing Group.

Professional services were procured to support the project with legal and treasury expertise. The works commenced in April 2020 and completed at the end of March 2021 and have been classified as an exceptional item within the Statement of Comprehensive Income.

29. Analysis of Changes in Net Debt

	As at 1 st April 2020 £000	Cash flows £000	Other non- cash items £000	At 31 st March 2021 £000
Cash	5,745	1,325	-	7,070
Bank loans due within one year	(2,639)	2,600	-	(39)
Bank loans due after more than one year	(89,998)	(10,496)	(773)	(101,267)
	<u>(86,892)</u>	<u>(6,571)</u>	<u>(773)</u>	<u>(94,236)</u>

30. Restructuring

On 2nd November 2020, Endeavour Housing Association (EHA), Teesdale Housing Association (THA), Darlington Housing Association (DHA) and North Star Housing Association (NSHA) undertook a statutory amalgamation to form North Star housing Group (NSHG). This statutory amalgamation has been accounted for using the merger method.

The details of the total comprehensive income for the period 1st April 2020 to 2nd November 2020:

		EHA	THA	DHA	NSHA	Total	NSHG	Total for Year
		1 st April 2020 to 1 st November 2020					2 nd Nov 2020 to 31 st March 2021	2020/21
		£000	£000	£000	£000	£000	£000	£000
	Notes							
Turnover	3	9,146	2,100	683	1,934	13,863	6,877	20,740
Operating expenditure	3	(6,260)	(1,346)	(478)	(1,639)	(9,723)	(4,850)	(14,573)
Operating surplus sub total		2,886	754	205	295	4,140	2,027	6,167
Surplus on disposal of fixed assets	7	4	40	-	-	44	6	50
Operating surplus	3	2,890	794	205	295	4,184	2,033	6,217
Amortisation of goodwill		-	-	-	-	-	(32)	(32)
Interest receivable and other income	8	2	2	1	-	5	4	9
Gift Aid receivable		370	70	20	(460)	-	-	-
Interest payable and similar charges	9	(1,285)	(196)	(38)	-	(1,519)	(8,868)	(10,387)
Exceptional item	27	-	-	-	(892)	(892)	(61)	(953)
Surplus/(Deficit) for the year	21	1,977	670	188	(1,057)	1,778	(6,924)	(5,146)
Other Comprehensive income (expenses)								
Remeasurement of the net defined benefit asset/(liability)		-	217	-	-	217	(1,635)	(1,418)
Total Comprehensive income for the year		<u>1,977</u>	<u>887</u>	<u>188</u>	<u>(1,057)</u>	<u>1,995</u>	<u>(8,559)</u>	<u>(6,564)</u>

Analysis of the year's total comprehensive income

		EHA	THA	DHA	NSHA	Total
	Notes	1 st April 2019 to 31 st March 2020				
		£000	£000	£000	£000	£000
Turnover	3	15,537	3,530	1,196	118	20,381
Operating expenditure	3	(11,570)	(2,359)	(906)	26	(14,809)
Operating surplus sub total	3	3,967	1,171	290	144	5,572
Surplus on disposal of fixed assets	7	1	171	-	--	172
Operating surplus		3,968	1,342	290	144	5,744
Amortisation of goodwill		-	(31)	-	-	(31)
Interest receivable and other income	8	12	9	4	2	27
Gift Aid receivable		130	30	10	(170)	-
Interest payable and similar charges	9	(2,591)	(366)	(74)	-	(3,031)
Surplus for the year before taxation		1,519	984	230	(24)	2,709
Tax on surplus on ordinary activities		-	-	-	(2)	(2)
		1,519	984	230	(26)	2,707
Other Comprehensive income (expenses)						
Remeasurement of the net defined benefit asset/(liability)		1,887	(142)	-	-	1,745
Total Comprehensive income for the year		3,406	842	230	(26)	4,452

North Star Housing Group
Report of the Board and Financial Statements
Year Ended 31st March 2021

	EHA	THA	DHA	NSHA	Consol Adjust- ment	Total
	As at 2 nd November 2020					
	£000	£000	£000	£000	£000	£000
Fixed assets						
Tangible assets – housing properties	171,790	22,092	9,226	-	(3)	203,105
Tangible - other	1,332	-	-	-	-	1,332
Intangible fixed assets	-	178	-	-	-	178
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	173,122	22,270	9,226	-	(3)	204,615
Net book value of housing properties						
Current assets						
Debtors (including £252k (2020: £177k) due after more than one year)	1,886	767	88	551	(677)	2,615
Investments	31	-	-	-	-	31
Cash at bank and in hand	557	2,470	314	136	-	3,477
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	2,474	3,237	402	687	(677)	6,123
Creditors: amounts falling due within one year	(77,196)	(14,468)	(144)	(1,888)	677	(93,019)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net current (liabilities)/assets	(74,722)	(11,231)	258	(1,201)	-	(86,896)
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Total assets less current liabilities	98,400	11,039	9,484	(1,201)	(3)	117,719
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Creditors: amounts falling due after more than one year	(73,103)	(2,393)	(4,192)	-	-	(79,688)
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Provisions for liabilities and charges						
Pensions	(1,059)	(249)	-	-	-	(1,308)
Other provisions	(133)	-	-	-	-	(133)
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Total Net Assets	24,105	8,397	5,292	(1,201)	(3)	36,590
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Capital and reserves						
Share capital	-	-	-	-	-	-
Restricted reserves	-	440	-	-	-	440
Reverse reserves	23,916	8,422	5,292	(1,201)	(3)	36,426
Pension reserve	189	(465)	-	-	-	(276)
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	24,105	8,397	5,292	(1,201)	(3)	36,590
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