# NORTH STAR

Creating homes, building futures


# Report of the Board and Financial Statements

# Year Ended 31st March 2022

# Contents

# Board Members, Executive Directors, Advisors and Bankers

**Board**
Anna Urbanowicz (Chair – appointed 1st April 2022)
Claire Warren (Deputy Chair – appointed 1st April 2022)
Jason Ridley (Chair of Risk & Audit Committee – appointed 1st April 2021)
David Lyall (Chair of Remuneration & Employment Conditions Committee)
Mark Thompson
Graeme Allinson
David Walker (appointed 1st August 2021)
Simon Wake (appointed 1st August 2021)
Nicki Clark (appointed 1st January 2022)
Joanne Todd (appointed 1st January 2022)
Margaret Smith (resigned 31st March 2022)
Paul Craggs (resigned 31st December 2021)
Peter Waugh (Chair - resigned 31st March 2022)

**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 2022.

**Organisation Structure and Activities**
North Star Housing Group (the Organisation) is a charitable, asset-owning Housing Association (HA) and a registered society under the Co-operative and Community Benefit Societies Act 2014.
The principal activity of the Organisation is the provision of affordable rented accommodation for people with a diversity of needs and aspirations.

**Results for the Year**
The Organisation achieved an operating surplus for the year of £6,150k (2021: £6,217k) and an overall net surplus for the year of £3,460k (2021: deficit of £5,146k). We are pleased with these results as it enables us to invest further in our business priorities as detailed in our five year strategy: Leading & Growing North Star 2023. It also aligns with our Surplus for Purpose Statement that captures our intention to ensure all surpluses are invested back into the business supporting investment in new build and existing housing, communities, neighbourhoods, people, and partnerships. This ensures North Star remains strong for the future.

**Review of the Year and Future Developments**
The external environment does not stand still, and we have had to be at our best over the last 12 months to respond and ensure North Star remains strong. This has required us to be alert, agile and fleet of foot to manage disruption caused by various factors, not least the Global Pandemic, and cost of living challenges affecting both the business and our customers. The work we have done to create an organisation that operates out of high levels of trust and through strong relationships is central to our success. This was endorsed through our Platinum IiP UK Employer of the year award.


We are pleased to report another year of organisational success. Our strong all-round performance builds on previous years and has enabled consistent investment to deliver our ambitions. Our commitment to customer services, stock investment, developing new homes, the decarbonisation agenda and in our people has remained steadfast, these are all priorities and critical to our future.

The highly volatile environment we operate in has required even more scrutiny of the operating model, budgets, business plans, risk, and other key strategies as a continuous process. Our antennae is very good, external connections and partnership productive and our positive reputation continues to grow. We continue to benefit from our re-financing and organisation consolidation project carried out in 2020. This has ensured our investment capacity is secured 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 Global Pandemic we accelerated our approach to technology and home working, which we have continued to develop. Our Hybrid working policy was co-created with staff and provides a balance between home and office working that meets the needs of the business and the people employed. 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. As the workplace of the future emerges, our policies will be adapted.

We retained Investors in People Platinum, with a higher score than previous and won the IiP Platinum UK employer of the year across all sectors. Two highlights of the results were that 98% of staff trusted the leadership of the organisation and 100% of staff felt trusted to do their jobs. We ended the year with overall customer satisfaction at 85.3% using quarterly survey data collected on “Rant & Rave”. This was lower than our target largely due to challenges with our repairs service and more information about this is set out in the Value for Money section. Our net promoter score using the Institute of Customer Services business benchmarking is 59.8 which is the highest of all Housing Associations (50) using this survey. We introduced a real-time customer feedback process “Rant & Rave” that enables us to gather quick feedback on services and to respond speedily to complaints.

We delivered 32 new homes through the Homes England Shared Ownership and Affordable Homes Programme. Whilst this was short of our annual target of 75, we have a strong pipeline of schemes to be delivered over the next few years. We have found the development environment challenging with cost increases, lack of availability of land, competition, and the reduction in SMEs in the region. However, we have refreshed our approach going forward, have revisited our growth strategy and expect to deliver as a minimum the planned 75 homes with a strong future 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 £4,054k to improve our properties as planned and were successful in two consortia bids for funding to help de-carbonise existing stock through the Government’s Social Housing Decarbonisation Funding. This is part of our comprehensive asset management strategy that ensures existing stock is maintained to high environmental standards. We continue to refine our stock data in relation to EPC standards and investment requirements to meet Government’s 2030 and 2050 targets. The cost of this work has been included in our 30-year business plan.

The new Office 365 ICT system using a Cloud based solution has delivered a speedier and more efficient system and our constant development of digital management and cyber security has improved services and delivered relatively safer systems.

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.

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. One of our core Local Authorities, Middlesbrough is classified as the most deprived in the country, with associated destitution issues that requires creative solutions, especially in the current climate.

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 plans from the Combined Authority.

During the year we reviewed our approach to Customer Involvement to ensure we had robust systems in place to hear their voice. This was linked to our work on Together with Tenants, a National Housing Federation initiative and the Regulator of Social Housing proposed Consumer Standards. This is an emerging piece of work, with experimentation and constant reviewing in collaboration with customers. The Tenant Scrutiny Group continues to work with Board to review services to implement improvements and change. Working with the Institute of Customer Services we held several focus groups to hear from those customers we don't always manage to reach, and our digital customer connection continues to bring speedy and focussed responses. These direct connections are important and demonstrate high levels of trust, openness, and transparency. We are looking to further strengthen the strategic relationship of Board and tenants.

OFFICIAL ADOPTER Together with tenants housing.org.uk/TogetherWithTenants

Our Board has worked relentlessly during the year and adapted quickly to hybrid and virtual meetings. The Chair and Deputy Chair took up their roles from 1st April 2022. We appointed four new Board members during the year further strengthening the skill base and diversity of membership. Our leading-edge Board Diversity programme that was established with three North Eastern Housing Associations in 2021 continues to work well. This programme is 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. Our activity on Equality, Diversity and Inclusion (EDI) continues to progress with a firm commitment at Board levels to drive this agenda forward and a new EDI policy has been approved. 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 October 2021.

**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 Board of ten people which is the maximum it has agreed. 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 and successfully targeted under-representation through the last recruitment process.

The Board meet at least six times a year for regular business and has regular one-off subject specific sessions and a comprehensive training and development plan. In addition, working groups of Board members are convened for specific purposes as required with delegated authority from the Board, and two residentials take place to develop the generative aspects. During the year there was one working group formed to recruit new Board members. The Organisation's Risk and Audit Committee meets at least four times a year, and the Remuneration and Employment Conditions Committee usually meet at least twice.

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 2021/22 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 the Regulatory Codes, which are annually self-assessed and has 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 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 bi-annually. There was a detailed stress testing session with Board in April 2022 and the Business Plan was approved by Board in April 2022. Thorough sensitivity analysis is applied, and all assumptions are independently checked and reviewed by an external consultant. The Business Plan is then rigorously stress tested so that the Board understands the circumstances that cause a 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's 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, considering current and future needs. Board members undertake training and development and have access to a wide range of seminars and conferences. In addition, they frequently meet outside of Board meetings to develop relationships and share strategic thinking as part of their ongoing commitment to being 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**

Value for Money (VFM) has never been more critical for North Star and our customers.

Our customers are facing a cost of living crisis driven by a range of external factors. This comes after a two year pandemic which had already pushed many families into poverty and destitution. It is critical that North Star is able to deliver VFM so we are able to invest in our properties and further services for our customers.

Many of the issues faced by our customers have an impact on North Star and we need to be proactive in addressing these challenges to ensure that we remain financially strong and able to invest in services and support.

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

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

In summary, what VFM means to us includes:

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

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

A sustained focus on 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".

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

## VFM Activity During 2021/22

**Financial Outturn 2021/2022**

The rent decrease impacted the operating margin in the period 2017-2020 but North Star remained ahead of our peers on operating and net margin. The operating margin has remained around 28% for the last four financial years despite investment being made in health and safety and improved services for customers.

| £'000 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| | Actual | Actual | Actual | Actual | Actual | Final |
| Revenue | 19,530 | 19,717 | 19,861 | 20,381 | 20,740 | 21,207 |
| Operating expenditure | (12,741) | (13,551) | (14,200) | (14,840) | (14,605) | (15,141) |
| Operating surplus | 6,789 | 6,166 | 5,661 | 5,541 | 6,135 | 6,066 |
| Operating margin (%) | *34.8%* | *31.3%* | *28.5%* | *27.2%* | *29.6%* | *28.6%* |
| FA surplus | 90 | 100 | 183 | 172 | 50 | 3 |
| Interest | (2,817) | (2,757) | (3,056) | (3,004) | (2,554) | (2,609) |
| Net surplus | 4,062 | 3,509 | 2,788 | 2,709 | 3,631 | 3,460 |
| Net margin (%) | *20.8%* | *17.8%* | *14.0%* | *13.3%* | *17.5%* | *16.3%* |
| Exceptional items | 0 | (271) | (1,079) | 0 | (8,777) | 0 |
| Adjusted net surplus | 4,062 | 3,238 | 1,709 | 2,709 | (5,146) | 3,460 |

The quarterly finance reports also include the Regulator of Social Housing VfM metric and performance on these is set out below.

| RSH metrics | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| | NS | NS | NS | NS | NS - Final |
| 1. Reinvestment % | 4.0% | 5.1% | 5.0% | 3.0% | **3.5%** |
| 2. New supply delivered % | 0.87% | 1.34% | 1.78% | 1.75% | **1.04%** |
| 3. Gearing % | 42.0% | 42.9% | 43.0% | 45.9% | **45.8%** |
| 4. EBITDA MRI interest cover % | 213% | 189% | 194% | 65% | **201%** |
| 5. HSCU | £3,506 | £3,641 | £3,550 | £3,449 | **£3,930** |
| 6. Operating Margin % | 31% | 29% | 27% | 30% | **29%** |
| 7. ROCE | 3.3% | 3.0% | 2.7% | 2.9% | **2.9%** |

There is also more analysis on the VFM metrics in the benchmarking section later in this report.

**1.Reinvestment**

The reinvestment metric has increased in 2022 with higher spend on planned maintenance – this was £2.9m in 2022 compared to an average of £1.6m in the previous three years. This was driven by our stock condition data and the need to replace components as they come to the end of their economic life, to meet our commitment to meeting Decent Home Standard.

**2.New Supply**

The new supply delivered metric has fallen to just over 1% with delays to a number of schemes result in only 32 new units being delivered in the year.

**3.Gearing**

This is consistent with the 2021 performance where gearing had increased following the refinancing project.

**4.EBITDA MRI interest cover**

EBITDA MRI interest cover was back at over 201% having been impacted by the exit costs in the refinancing project in 2021.

**5.HSCU**

For the first time in the last five years there was an increase in the Headline Social Cost per Unit. The main factors that increased this metric were the level of capital planned maintenance and responsive maintenance spend. More detail on this metric is set out later in this report.

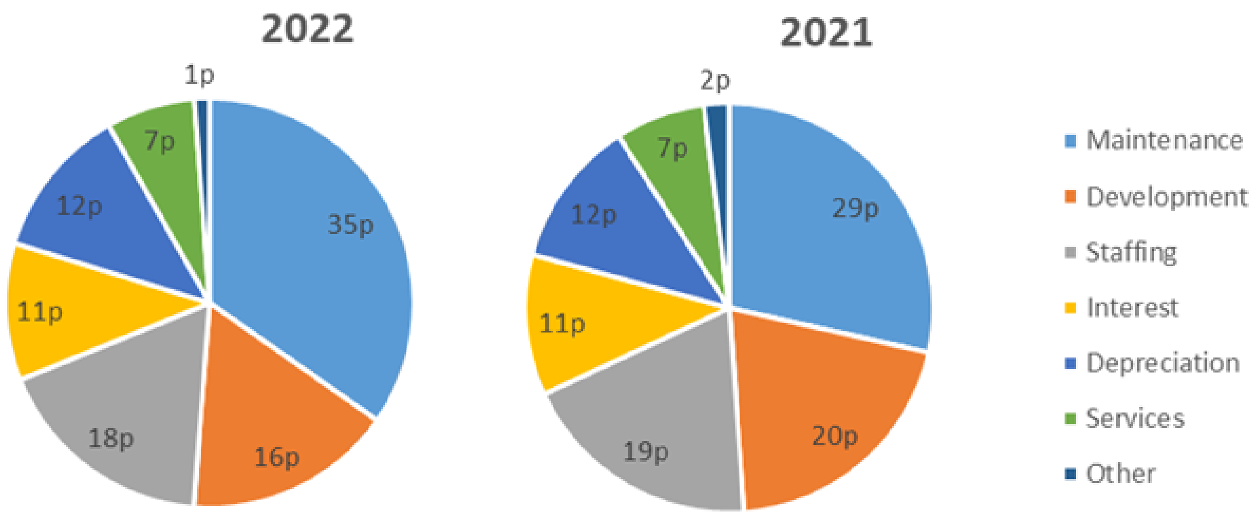
**6.Operating margin**

The operating margin has been around 30% across these five years which is higher than our peers.

**7.ROCE**

This has remained consistent across the period at around 3.0%.

## How each £1 of rent was spent during 2021/22




The most significant changes between 2021 and 2022 are:

- Increased investment on maintenance of £1.6m. Most of this increase is on our Decent Homes spend and this is driven by high-quality stock condition data. We also started on energy efficiency works in a drive to get our properties to EPC C by 2028 – both strategic investment decisions. Revenue maintenance costs have also increased with more responsive repairs in the year primarily due to storm damage and catch-up repairs from reduced demand during the pandemic.

- Reduced investment in development of £0.7m with a number of challenges impacting this including, delays following the lockdown on schemes, increased competition for sites, higher prices for land, shortage of contractors and delays in obtaining materials. These challenges were reported to Board during the year and we are forecasting to increase development spending in 2022/23 and deliver over 75 new units.

**Performance against Targets**

The actions and targets were set in the annual corporate plan for 2021/22 and the VFM update shared with Board in July 2021. The outcomes marked in green have been completed, those in orange have been delayed and those in red the target was not met in 2021/22.

| Strategic Objective | Action | Target | 21/22 Outcome |
|---|---|---|---|
| Customers | Implement real-time customer feedback. | Introduce Rant & Rave platform to capture and analyse customer feedback. Return on investment completed August 2021. | Platform implemented and system is live. Demo delivered to Board Members in October 2021. |
| Customers | Review the supported housing vision | Review will be used to inform continued growth of supported housing | Review completed |

| | | | |
|---|---|---|---|
| **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** | **Review has been completed and recommendations are being utilised by the Communities team to make investments and develop new partnerships.** |
| **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.**<br><br>**Report to Board (from TVSP) on the customer commitment review** | **We have simplified how we communicate with tenants on the annual rent increase and shared the context in which decisions are made. Letters include a link to video messages from the CEO and Executive Directors reinforcing the rationale for the increase. We also provided more information on service charges**<br><br>**TVSP shared its report with Board in December 2021. We used feedback and data from customers as part of our repairs review and this was used to create the specification for the procurement of our new repairs contractor.** |
| **Growth** | **Develop 50 new homes including 5 supported housing** | **50 new units by 31st March 2022** | **32 new units delivered.** |
| **Growth** | **Review the sustainability of our stock in Gresham** | **Report to be shared with Board in September 2021** | **Report shared with Board at September 2021 meeting. and agreed to continue to operate in this challenging area and to keep under review.** |
| **Growth** | **Secure external funding for retrofit works** | **Target to get grant income of £60k (10% of total budgeted spend on retrofit)** | **£380k has been secured for works to be delivered in the 2022/23 financial year.** |
| **Culture** | **Develop an Environmental Strategy** | **Strategy to be shared with Board in January 2022** | **Update provided to Board in January 2022 and final strategy was approved by June 2022 Board meeting.** |
| **Resources** | **Deliver procurement savings** | **£45k target included in the 2021/22 budget** | **Savings of £73k achieved** |
| **Resources** | **Deliver savings through vacant posts** | **£80k target included in the 2021/22 budget** | **Savings of £150k achieved** |

| | | | |
|---|---|---|---|
| **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** | **There has been a delay in the new guidelines so this action will be completed during 22/23 once information is available. The Asset Management was updated an approved by Board 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** | **Review carried out and was used to help inform the procurement process for a new repair's contractor.** |
| **Resources** | **Improve our tenancy sustainment and reduce our tenancy turnover** | **Target to reduce tenancy turnover KPI to under 10%** | **Tenancy turnover of 10.1% for 2021/22** |
| **Resources** | **Review of the repairs service** | **Review will be used to inform future procurement of repairs service** | **Review complete and used to inform procurement of new repairs contractor in the summer of 2022.** |
| **Technology** | **Delivery of the first year of the ICT strategy: 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** | **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** | **Office 365 now used by all staff Power BI project now part of wider data project and implementation of new performance reporting scheduled for 2022/23. Paper use reduced by over 30% in 2021/22. New Teams telephony introduced in the year.** |

Areas outside of target are:

- **New Units developed**

There has been supply chain issues resulting in a twelve week delay in receiving materials to finish our 22 properties at Middlehaven, Middlesbrough. This means we only completed 32 units (including six units of supported housing) in the year. We anticipate the final 22 will be completed in Q2 2022/23. We are forecasting unit growth of 75 units in 2022/23.

- **Tenancy Turnover**

Tenancy turnover was sustained at 10.1% which was 0.1% higher than the target set. Relet performance and void loss were both inside target. During the year staff and tenants reviewed the housing and welfare benefit services to focus on tenancy sustainment and reduce turnover. A new tenancy support role focused on this will be trialled in 2022/23.

## 2021/22 Savings Delivered

The delivery of savings was key in both the 2021/22 budget and the 30 year business plan. The budget included a savings target of £130k with details below of how we performed. Progress is monitored during the year with a robust reforecasting process and month end management accounts.

Some of thekey savings made in 2021/22 are captured below:

| Saving | Value |
|---|---|
| Vacant posts were held whilst we reviewed roles and functions. | £150k |
| Procurement savings on a range of new contracts | £73k |
| In 2021 we procured a new utilities provider with a fixed price till 2024 – this has protected North Star and our customers who pay service charges from the rising energy costs | £25k |
| 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. | £26k |

**2021/22 Reinvestment Activities**
Strong financial management enables us to outperform the budget. As a result, there have been a number of reinvestments made during 2021/22:

- Spend of £75k in 2021/22 on fire door surveys was approved by Board in June 2021. A further £500k was approved for inclusion in capital budgets for any remedial works required as a result of the surveys. This work will be complete in 2022/23.
- The reforecasting process resulted in a reallocation of the budget to support the pressure on responsive repairs spend as a result of the storms – the repairs budget was increased by over £200k with savings made in other areas of the organisation.
- Additional funding for community investment. Our investment increased from an average of £250k for the last three years to just over £290k in 2021/22.

**2021/22 Efficiencies**
These are improvements or changes which may not directly impact or reduce costs but do free up staff time or resources. This report highlights a range of areas where the changes to a process or new ways of working will have delivered efficiencies meaning that staff can focus on providing additional support or services to customers:

- The piloting of a remote temperature monitoring system for water safety – removing the need for staff to carry out weekly tests
- Introduced a two way text messaging platform following TVSP review on access to information and communication
- Implemented real time feedback, increased volume by 70%, reduced informal complaints by 25% and deliver 24 hour call back to customers
- Continued use of new ways of working such as virtual viewing on voids and digital sign up for new tenants
- Continued use of virtual and hybrid meetings by staff and Board members reducing travel costs by over £10k

**Asset Management**
Our property portfolio is diverse. Our Asset Management Strategy (approved by Board in June 2022) sets out how we manage, maintain, and review the performance of our stock. We hold stock condition data on over 99% of our assets and get a sample our stock condition surveys externally validated every two years – this was last shared with Board in March 2021. This robust data helps to inform our strategic decisions relating to stock investment. Our investment programme is developed to combine works to both minimise disruption for customers and achieve efficiencies for North Star through procurement.

During 21/22 we invested £3,479k with a focus on energy and environmental works, electrical and heating upgrades, as well as a large external works programme. In total 955 homes benefited from investment work, with customer satisfaction at 94%. Active asset management and planned investment is not only vital to ensuring homes meet customer expectations, it is also key to reducing responsive repairs.

We commenced our decarbonisation investment during 2021/22, with the aim for all stock to achieve EPC level C by 2028 and for stock to be decarbonised by 2050. We were successful in securing £380k through Wave 1 of the Social Housing Decarbonisation Fund and have commenced a programme of insulation works to our properties and installing Air Source Heat Pumps to replace some of our solid fuel heated properties.

**Effectiveness**
VFM is also about the effectiveness of the organisations as well as the economy and efficiency. The following demonstrates how we capture the effectiveness of delivering our strategic objectives across North Star.

## Community Investment and Generating Social Value

North Star cares about its customers and communities. We focus our community investment on priority neighbourhoods working with the strengths and supporting the sustainability of these areas. We measure and report the social value created using a suite of treasury-approved measures combining qualitative and quantitative outcomes. In 2021/22 North Star has delivered approximately £4m of social value across our business. This figure is made up of:

- £3m generated by community investment projects. *
- £250k generated by tenant connection activity. *
- £600k generated by planned maintenance activity*.
- £300k generated by positive move on from supported accommodation*

**estimated figure based on previous year's performance excluding Covid-19 relief work.*

## Customers

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

## Customer Satisfaction

We capture independently gathered satisfaction data covering a number of 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:

| % of Customer Satisfaction with | 2019/20 | 2020/21 | Target 2021/22 | 2021/22 | Proposed 2022/23 Target | HouseMark Quartile Position |
|---|---|---|---|---|---|---|
| Planned investment work | 94.4% | 96% | 95% | 94% | 95% | Not available |
| New homes (new build) | 98.3% | 98.1% | 95% | 92% | 95% | Not available |
| Major adaptations work | 100% | 100% | 95% | 100% | 100% | Not available |
| Quality of the home | 87.8% | 84% | 90% | 88.4% | 90% | Upper |
| Maintenance service | 88.3% | 90% | 92% | 88.6% | 92% | Median |
| ASB management | 96% | 100% | 100% | 85% | 95% | Upper |
| Complaint management | 65.9% | 100% | 93% | 52.9% | 80% | Lower |
| Rent providing VFM | 94.4% | 92% | 95% | 96% | 95% | Upper |
| The overall service | 92.3% | 90% | 92% | 85.3% | 92% | Median |

It was disappointing that we missed the majority of our internal satisfaction targets. With the exception of complaints, however we benchmark at median or upper level where data is available.

Satisfaction with planned investment works is 1% below target. Areas of dissatisfaction were primarily linked to kitchen and bathroom replacements and the disruption caused as a result material delays and the self-isolation of operatives. This has understandably led to some frustration for customers as the work has taken longer than anticipated. We have reviewed our communication to tenants so that there is clarity on what is to be expected during the works.

Satisfaction is slightly below target for our new build programme, with the primary reason being the difficulty in addressing defects in a timely manner due to material delays. We have reinforced requirements for addressing defects with our developer partners and reviewed our communication with tenants to manage expectation.

Customer satisfaction with the quality of home has increased by 4% when compared to 2020-21 but remains below target. We have analysed the feedback from customers who have expressed concerns with the quality of their home. Themes include draughts within the property, the level of sound proofing and length of time to complete repairs. All customers expressing dissatisfaction with their home have been contacted and have received an inspection from one of our surveyors to identify work required to improve the home.

We have had issues with our repairs contractor during the year and this has impacted two satisfaction metrics (maintenance and overall service). Our repairs contractor during 2021-22, has faced challenges with labour resources, the reliability of sub-contractors, access to materials and high levels of turnover within administrative teams. These issues have led to inconsistent levels of service and spikes in the number of missed appointments and the length of time to complete repairs.

Despite these challenges, satisfaction remains at the median when compared to our HouseMark peer group. We are pleased to report that in March and April 2022 satisfaction has reached 92%. We have procured a new contractor and customer feedback and complaints have been used to inform this process. The new repairs contractor will commence the new service on 1st September 2022.

We experienced a reduction in satisfaction with our handling of anti-social behaviour (ASB), primarily as a result of the outcomes achieved as a result of their ASB complaint. During the year we experienced an increase in minor complaints and neighbour disputes reported. We have strengthened our partnership work with police and local authorities in tackling ASB and are providing further legal training to staff. Satisfaction remains upper quartile and the reduction in satisfaction will be subject to further review.

Satisfaction with complaint management has reduced and fell substantially short of our target. Following the publication of the Housing Ombudsman complaint handling code we reviewed our policy and procedure with tenants. This led to further training to staff and the introduction of a fast feedback service to make it easier for customers to tell us when things have gone wrong. We are carrying out a further review of complaints to understand the poor performance in this area.

Customers reported 96% satisfaction with rent providing value for money in 2021/22. Communication relating to the rent increase in 2022/23 was enhanced. This provided greater detail and transparency on how North Star spends income with a QR code link from the rent letter to connect customers to this information held on our website.

Satisfaction with the overall service is below target and 5% below satisfaction levels in 2020-21. The most common themes for dissatisfaction were the length of time to complete repairs and poor communication during the repairs process. The repair service has been reviewed with a new repair contractor to commence from 1st September 2022. Jobs being completed first time and communication with customers formed key parts of the service specification.

## Customer Perception

Our membership of the Institute of Customer Service (ICS) 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 shows a direct correlation between great customer service and the financial performance of an Organisation which can help drive VFM.

A periodic survey with the ICS enables North Star to assess the customer perception of the business. The latest survey was completed in May 2022. Headlines from this survey:

- North Star scored 83.6/100 which is top of the 50 housing associations in the ICS. This is comparable with the top 20 organisations operating nationally across a range of service sectors.
- Customers highlighted the ethics, customer experience and ethos of the organisation as strengths. The competence of staff and range of communication channels were identified as areas customers were most satisfied with.
- Customers identified complaints as an area North Star could improve. There was an improvement in the speed of handling complaints, but the outcome and attitude of staff were identified as areas for further improvement. We will undertake further analysis of these results and identify action to improve our complaints satisfaction.

## Performance

Another measure of effectiveness is the KPI performance and the annual performance for 2021/22 was shared with Board in June 2022.

| Performance Area | 2019/20 | 2020/21 | Target 2021/22 | 2021/22 | Target 2022/23 | HouseMark Quartile Position |
|---|---|---|---|---|---|---|
| Current arrears – General Needs & Older Persons (GN&OP) | 2.29% | 2.50% | 2.3% | 2.54% | 2.5% | Median |
| Current arrears – Supported | 0.79% | 0.70% | 0.70% | 0.77% | 0.75% | Not available |
| % rent lost through homes being empty (GN&OP) | 0.85% | 1.02% | 1% | 0.89% | 1% | Upper |
| % rent lost through homes being empty (Supported) | 3.70% | 2.72% | 2.75% | 2.94% | 2.75% | Not available |
| Tenancy turnover rate | 12.9% | 12% | 10% | 10.1% | 9% | Lower |
| Average number of repairs per property | 3.6 | 3.8 | 3.7 | 3.9 | 3.4 | Lower |
| % of appointments kept | 91.3% | 95.8% | 95.0% | 93% | 96% | Lower |
| % of gas services completed before expiry date at quarter end | 99.9% | 100% | 100% | 99.8 % | 100% | Medium |
| % of time lost to sickness | 3.2% | 1.5% | 2.5% | 2.45%<br>2.16%* | 2% | Not available |

*Performance adjusted to removed impact of absence due to Covid

We set challenging performance targets informed by three year trend data and consideration of our operating environment. We missed our performance targets in a number of areas and more information about these areas is set out below.

We missed the arrears targets for general needs by £37k and supported housing by £2k. During the year there was a 15% increase in customers claiming Universal Credit (UC). The relationship between UC and arrears is complex. Delays in payments, the value of UC payments being less generous than legacy benefits and payments being made directly to customers are some of the factors which can lead to increased arrears. As a result of the cost-of-living crisis, we anticipate continued pressure on household income which could also result in arrears rising in 2022/23. We have a strong performance focus on arrears and to support customers we have introduced an additional Tenancy Support resource. A £200k hardship fund has been created aimed at alleviating hardship for customers experiencing challenges, providing access to energy payments, mental health support, debt advice and furniture.

Our Welfare Benefit team supported 657 households to increase their income by £586k, of which £104k is direct gains to the rent accounts through back dated housing benefit and discretionary housing payments. This work benefits both customers and North Star.

Tenancy turnover was 10.1% and we performed strongly reducing the number of days to relet homes and the amount of rent lost through voids. We are introducing a new resource with the aim of improving tenancy sustainment and are targeting a further reduction in turnover.

The average number of repairs per property has increased due to the impact of storms during 2021/22 and some catch up of repairs deferred during the lockdowns. We anticipate this returning to expected levels of 3.7 repairs per property, but will keep this under close review.

The percentage of appointments kept has fallen due to operational issues with the repairs contractor – this has included a shortage of operatives due to Covid and supply chain issues impacting the materials needs for some repairs.

Our performance on gas servicing was due to our inability to gain access primarily due to self-isolation of tenants due to covid. Performance has now returned to 100% as of June 2022.

# North Star Trends and Comparision to other Housing Associations

### Benchmarking

Benchmarking enables us to assess costs and performance against our peers. There is a time lag to the publication of benchmarking data so the most up to date peer information is for the 2020/21 financial year. There is a range of information available which can be used to benchmark the performance and costs of North Star. It can identify areas of high cost or poor performance that can be investigated by staff and action taken to improve if required. There can be difficulties in drawing absolute comparisons on benchmarking data.

### Peer Groups

Where possible a 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. However, not all of this peer group submit data onto HouseMark and to ensure there is a sufficient sample size we have used a different peer group for the HouseMark analysis.

### RSH VFM Metrics

The tables below show the performance on the VFM metrics over the last four years and includes the draft figures for 2021/22. There is no peer group data available yet for 2021/22.

| RSH metrics | 2018 | 2019 | 2020 | 2021 | 2022 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | NS | NS | NS | NS | NS - Final | Peer | Peer | Peer | Peer |
| 1. Reinvestment % | 4.0% | 5.1% | 5.0% | 3.0% | 3.5% | 5.3% | 6.5% | 7.5% | 6.7% |
| 2. New supply delivered % | 0.87% | 1.34% | 1.78% | 1.75% | 1.04% | 1.00% | 1.30% | 1.50% | 1.37% |
| 3. Gearing % | 42.0% | 42.9% | 43.0% | 45.9% | 45.8% | 39.4% | 38.9% | 40.0% | 41.0% |
| 4. EBITDA MRI interest cover % | 213% | 189% | 194% | 65% | 201% | 228% | 180% | 169% | 158% |
| 5. HSCU | £3,506 | £3,641 | £3,550 | £3,449 | £3,930 | £3,348 | £3,635 | £3,732 | £3,580 |
| 6. Operating Margin % | 31% | 29% | 27% | 30% | 29% | 28% | 23% | 20% | 21% |
| 7. ROCE | 3.3% | 3.0% | 2.7% | 2.9% | 2.9% | 4.3% | 3.8% | 3.3% | 3.4% |

### North Star v Peer Group Metrics

The two areas where North Star is not performing as strongly as our peers are based on the 2022 data:

### Reinvestment Metric

North Star are consistently lower than our 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.

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | NS | NS | NS | NS | NS | Peer | Peer | Peer | Peer |
| 1. Reinvestment % | 4.0% | 5.1% | 5.0% | 3.0% | 3.5% | 5.3% | 6.5% | 7.5% | 6.7% |
| Existing homes | 0.90% | 1.00% | 0.80% | 0.73% | 1.40% | 1.50% | 1.60% | 1.60% | 1.40% |
| New Units | 3.1% | 4.0% | 4.2% | 2.3% | 2.1% | 3.8% | 4.9% | 5.9% | 5.3% |

The investment in existing homes is driven by the stock condition data and Decent Homes Standard requirements. As per the 2022 Business plan the investment in existing home averages 1.5% over the next 10 years which is more in line with the peer performance and demonstrates the cyclical nature of this spend. It will also start to be impacted by the investment in decarbonisation and this could further increase the differences between organisations as the investment in decarbonisation spend will vary depending on the approach taken by each organisation.

Although North Star has lower spend on new units than our peers (see bottom row of above table) North Star continues to be consistent with its peer group on the second RSH metric for percentage of new units delivered (see table above).

**HSCU**
The HSCU has remained around £3,500 per unit over the last four financial years but has increased to £3,930 in 2021/22. This is due to higher levels of revenue and capital maintenance spend with the capital spend relating to decarbonisation and Decent Homes Standard spend.

Although the HSCU is lower than our peers, our management CPU is higher. 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 shows that management costs within North Star are comparable to our peers.

In the period from 2018 to 2021 the North Star HSCU changed from £3,506 to £3,449 which is a 2% reduction. This compares with an increase of 7% in the peer HSCU in the same period. We anticipate that the HSCU will rise for North Star and our peers driven by the investment in health and safety maintenance works and decarbonisation. The HSCU will also be impacted by inflationary cost increases.

**The Sector Score Card**
There are also a number of additional metrics that we record and report that are known as the Sector Score Card and these are collated by Housemark.

| Indicator | 2018/19 Actual | 2019/20 Actual | 2020/21 Actual | 2021/22 Final | NS Trend | 2020/21 Peer | Peer Trend |
|---|---|---|---|---|---|---|---|
| Units Developed | 63 | 65 | 72 | 32 | ↓ | 62 | ↑ |
| % respondents very/fairly satisfied with the service | 87.5% | 92.3% | 90.0% | 85.3% | ↓ | 87% | ↓ |
| £ invested in communities | £246k | £249k | £280k | £290k | ↑ | £280k | ↑ |
| Occupancy rate | 98.8% | 98.9% | 99.2% | 99.2% | ↔ | 99.1% | ↔ |
| Ratio of responsive repairs to planned maintenance | 0.50 | 0.49 | 0.51 | 0.55 | ↔ | 0.82 | ↓ |
| Rent collected % | 99.1% | 102.0% | 99.6% | 98.3% | ↓ | 99.6% | ↔ |
| Overheads as a % of adjusted turnover | 12.0% | 10.9% | 10.5% | 12.4% | ↓ | 12.8% | ↑ |

The number of units developed and customer satisfaction metrics have already been explained earlier in the report. The rent collected metric was impacted by the timing of housing benefit payments as 2021/22.

The overheads as a percentage of adjusted turnover have increased in 2021/22 – the previous two years were impacted by several one off items that reduced overhead costs – this included a VAT refund in 2020/21. Despite the increase it remains lower than the peer median and remains a key area of focus for budget setting and reforecasting.

**HouseMark**
This section of the report focuses on the cost and performance data for the year to 31st March 2021 as data for the 2021/22 financial year is not yet available. Where possible performance data for 2021/22 has been shared to provide further context. The peer group used in this analysis is different to the standard peer group – it is made up of organisations with up to 5,000 units in the North East, North West, Yorkshire and Humberside. This is to ensure there is an adequate sample size to allow meaningful analysis.

There is a huge amount of cost and performance data within Housemark and in most areas North Star is at median or better. The next section highlights areas of performance where North Star is underperforming or is an outlier.

## Areas of Underperformance

**1.Tenancy Turnover**
North Star has been in the bottom quartile of this metric for a number of years. Despite North Star improving from a tenancy turnover of over 14% in 2018/19 North Star is still in the bottom quartile. In 2021/22 tenancy turnover was 10.1% continuing a positive 3 year trend. We operate in challenging neighbourhoods which impact this measure. Our relet and void rent loss performance was strong in 2021/22. Given our operating environment we are targeting an incremental 1% improvement in performance with tenancy turnover. We have reviewed resources in our housing team and introduced a tenancy support role to support continued work to reduce tenancy turnover.

**2. Community Investment**
This is an area where Housemark show North Star in the fourth quartile and our spend is more than double the median level of our peer group. This reflects our strategic objective of supporting customers and communities as set out in our Surplus for Purpose statement. These costs include our Welfare Benefits staff, the Communities team and an apportionment of overhead costs. The Communities team are key to delivering the social value of £4m noted earlier in the report.

**3. Current tenant arrears**
Gross current tenant arrears increased in 2020/21 to 2.91%. The data on Housemark is the gross arrears so include any Housing benefit debt – all other arrears figures shared with Board during the year are net arrears which excludes Housing benefit related arrears. The 2020/21 North Star figure has increased due to the timing of the Housing Benefit cycles for the local authorities we work with.

There is a more positive trend and peer comparison on the net arrears. As at 31 March 2022 net arrears were at 2.54% - the available data for this period shows the sector median at 2.89% and the North East median at 2.80% for net arrears so North Star performance is above the median level. There is a continued focus on reducing arrears and we know that this will become more challenging with the cost of living crisis faced by our customers.

## 2021/22 and Beyond

VFM is at the heart of our corporate objectives, budgeting and business planning processes.

We are operating in an extremely challenging economic environment with high inflation impacting North Star, our supply chain and our customers. Rising interest rates, labour and material shortages and a potential recession all add to the financial pressures faced by North Star, our suppliers and our customers. Continuing to deliver VFM will be key to enable North Star to support our customers and communities whilst remaining financially strong and resilient.

Work is underway to set the next three year vision to 2026 and value for money will be a key part of this vision given the financial challenges faced by North Star and our Customers.

**2022/23 Value for Money Targets and Objectives**
The table below captures the Corporate Plan objectives approved by Board in March 2022. Following the analysis outlined in this report, further VFM Targets have been developed. Any items in blue are from the Corporate Plan for 2022/23 which was approved by Board in March 2022.

| Strategic Objective | VFM Theme | Action | Target |
|---|---|---|---|
| Customers | Efficiency | Pilot new online chatbot and promote online services to customers | Increase digital transactions > 20% and reduce CST call volume by 10% to improve efficiency and customer satisfaction. |
| Customers | Efficiency | Complete a review of key customer experiences to address customer need and improve effectiveness of delivery. | Reduce our customer effort score <3.5/10 (ICS)to improve efficiency and customer satisfaction. |
| Customers | Efficiency | Complete ICS customer survey UKCSI benchmark and implement actions for improvement areas | Survey completed and action plan developed |
| Customers | Efficiency | Review the capture and reporting of customer satisfaction | Processes and systems developed to report against the new Tenant Satisfaction Measures from Q1 2023. |
| Customers & Governance | Maximise Social Value & Efficiency | Explore and pilot ways of strengthening customer involvement at a strategic level through structures and/or systems | Method of involvement identified by September 2022 and piloted by December 2022. |
| Customers | Enable Growth | Develop a strategic offer to tackle homelessness | 6 new homes will be delivered to alleviate homelessness by Q4 |
| Customers | Enable Growth | Engage with Local Authority/ Health partners in Tees Valley and County Durham to develop a plan increase new supported housing | Bid to access the £300m funding available for new supported housing through the Social Care White Paper for 2022-25 |
| Customers | Efficiency | Continue to reduce tenancy turnover | Reduce tenancy turnover by 1% annually. 9% target for 2022/23 |
| Customers | Maximise Social Value | Ensure there is a process in place to capture outcomes from the £200k community fund set in the 2022/23 budget | Track spend and outcomes and include in update to Board at December 2022 meeting |
| Growth | Enable Growth | Develop and grow by at least 75 new units, including five units of supported housing | 75 units by March 2022. |
| Growth | Enable Growth & Active Asset Management | Explore models for the delivery of zero carbon new build homes | Produce costed model for our Future Homes Standard |
| Growth | Active Asset Management | Undertake a feasibility study into the transformation of terraced properties in Darlington | To develop a costed feasibility by Q2 |
| Growth | Active Asset Management | Deliver a decarbonisation pilot on a Victorian terrace property in Middlesbrough | Complete a whole house retrofit project to an EPC A standard by 31st March 2023 |
| Growth | Active Asset Management | Through targeted investment, increase the energy performance of properties to EPC level C | An additional 189 properties will reach EPC C by Q4 |
| Growth | Active Asset Management & Maximise Income | Bid for grant subsidy to support the decarbonisation of properties | Confirmation of grant funding of at least £200k by end of Q3 |
| Culture | Efficiency | Use internal resources to design and facilitate staff development | £25k efficiency |

| | | | |
|---|---|---|---|
| Resources | Efficiency | Review of recruitment and selection. Ensuring our approach is efficient, effective and meets the requirements of NS and Candidates | £20k efficiency |
| Resources & Technology | Efficiency | Deliver a data solution to replace the HR database. | £12k efficiency |
| Resources | Efficiency & Maximise income | Deliver savings target set in the 22/23 budget | Savings of at least £247k; void loss 1.35% and bad debt 1.04% |
| Resources | Maximise Social Value | Publish an Environmental, Social and Governance report for the 2021/22 financial year | Report published by end of Q2 |
| Resources | Efficiency & Maximise Income | Review of investment options for cash balances with Centrus | Return of at least 0.50% on invested funds |
| Resources | Smart Procurement & Efficiency | Implement a new repairs and voids service that will create efficiencies for NS and improve customer satisfaction | A new service to be in place by September 2022 |
| Resources | Efficiency | Complete a review of the property services team (processes and resources) | Review to be complete by end Q3 |
| Resources | Efficiency & Active Asset Management | Implement a remote water safety monitoring system | £10k efficiency |
| Resources | Smart Procurement | Implement a new development contractor and professional services framework with Partners | To attract more SMEs and to create cost efficiencies. |
| Resources | Efficiency | Approach YBS to see if there is an incentive to cancel the RCF and move to a new funder | - |
| Resources | Enable Growth & Efficiency | Review the development pipeline and ensure the YBS RCF is the right size | Potential saving of £25k if the RCF is reduced by £5m |
| Technology | Efficiency | Use of Sharepoint for file sharing across North Star - this will support agile and collaborative working | New working practices in place |
| Technology | Efficiency | Review of licencing arrangements to maximise use of Microsoft and other licences | £5k saving |
| Technology | Efficiency | Automation of compliance records and monitoring | £5k efficiency |
| Technology | Efficiency | Implement Power BI for performance reporting | Power BI used in Board and management performance reports |
| Technology | Smart Procurement | Procurement of a new Housing Management system and plans developed for implementation in 2022/23 | Procurement process completed |

## Internal Controls Assurance

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

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

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

The process for identifying, evaluating and managing the significant risks faced by the Organisation is ongoing and has been in place throughout the period commencing 1st April 2021 up to the date of approval of the Report and Financial Statements.

Key elements of the control framework include:

- Assessing compliance with the Regulator of Social Housing Regulatory Standards.
- 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 December 2021 which includes the 'three lines of defence' assurance model for all risk registers.
- The annual review of the effectiveness of the systems of internal control, which considers a range of areas including risk management, internal audit arrangements, and the approach to procurement and fraud. The 2021/22 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 (RAC), meets with the Committee (with and without management in attendance) and provides reports to the Committee detailing levels of assurance for each area reviewed, as well as an Annual Report.
- A comprehensive approach to treasury management which is subject to external review on an annual basis. RAC approved the Annual Treasury Strategy in May 2021 and this includes a presentation from Centrus, the 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 as part of the finance report.
- Regular reporting on key business objectives, targets and outcomes.
- A regular review of Internal and External Auditors and their roles/periods of appointment.

## Risk Management

The Standing Orders, approved by Board in December 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 December 2021 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.

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

**Risk Management Activity 2021/22**

This section captures the key risk management activity in 2021/22:

- Added a new deep dive section to the risk report to RAC and Board. This allows the risk owner to provide more context and detail about the risk, controls and assurances in place. RAC focus on the lower scoring risks in their review and the higher scoring risks are considered by Board. Both Board and RAC take a lead role in requesting a ‘deep dive’ on a specific risk for featuring in the Strategic Risk Management report.
- Developed the Board reports to highlight demonstrable link to approved 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. Principal financial instruments comprise of cash and bank deposits, bank loans and overdrafts, other loans and obligations under operating leases, together with debtors and creditors that arise directly from its operations.

The main risks arising from financial instruments can be analysed as follows:

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

Exposure to credit risk is primarily attributable to rent debtors. A detailed arrears monitoring process is in place and the amounts shown in the balance sheet are net of a provision for doubtful debts estimated by management, based on prior experience. Performance on arrears has been strong in 2021/22 despite the challenging economic environment.

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

**Interest Rate Risk**
The Organisation's policy is to ensure that between 70% and 100% of its long term borrowings are held on fixed interest rate arrangements with a range of maturity dates to ensure that the Organisation's exposure to significant movements in interest rates is limited. 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 2022.

**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 23 of the Financial Statements highlights the current level of debt and repayment terms.

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

The Organisation's business plan that was approved by Board in April 2022 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 12th September 2022.

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

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Organisation and of the income and expenditure of the Organisation for that period.Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Organisation will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Organisation and enable it to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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.

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

**Approval**
This Report was approved by the Board on 12th September 2022 and signed on its behalf by:

**A Urbanowicz**
**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 2022 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 2022 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 27, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

**Extent to which the Audit was Considered Capable of Detecting Irregularities, including Fraud**
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 NHF Code of Governance 2020, the Regulatory Standards, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 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:

**Association Statement of Comprehensive Income**
*for the year ended 31st March 2022*

| | Note | **Year ended 31st March 2022 £000** | Year ended 31st March 2021 £000 |
|---|---|---|---|
| **Turnover** | 3 | **21,327** | 20,740 |
| Operating expenditure | 3 | **(15,209)** | (14,573) |
| Operating surplus subtotal | 3 | **6,118** | 6,167 |
| Surplus on disposal of fixed assets | 7 | **32** | 50 |
| **Operating surplus** | | **6,150** | 6,217 |
| Amortisation of intangible assets & goodwill | 16 | **(32)** | (32) |
| Interest receivable and similar income | 8 | **4** | 9 |
| Interest payable and financing costs | 9 | **(2,662)** | (3,336) |
| Bank Loan Break Cost | 9 | **-** | (7,051) |
| Costs linked to Merger | 29 | **-** | (953) |
| **Surplus/(Deficit) for the year before taxation** | | **3,460** | (5,146) |
| Tax on surplus on ordinary activities | 13 | **-** | - |
| **Surplus/(Deficit) for the year after taxation** | | **3,460** | (5,146) |
| **Other comprehensive income/(expense)** | | | |
| Actuarial gain/(deficit) in respect of pension scheme | 12 | **497** | (1,635) |
| Employer withdrawal from scheme | | **-** | 217 |
| **Total comprehensive income/(expense) for the year** | | **3,957** | (6,564) |

All results derive from continuing activities.

These Financial Statements were approved by the Board and authorised for issue, on 12th September 2022 signed on its behalf by:

| | | |
|---|---|---|
| **A Urbanowicz** | **J Ridley** | **J Walder** |
| **(Chair of Board)** | **(Chair of Risk and Audit Committee)** | **(Secretary)** |

*The Notes on Pages 35 to 61 form part of these financial statements

## Association Statement of Financial Position
*for the year ended 31st March 2022*

| | Note | At 31st March 2022 £000 | At 31st March 2021 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Housing properties | *14* | **209,575** | 205,444 |
| Other tangible assets | *15* | **1,293** | 1,258 |
| Intangible assets | *16* | **132** | 164 |
| **Total fixed assets** | | **211,000** | 206,866 |
| **Current assets** | | | |
| Investments | *17* | **30** | 30 |
| Debtors (including £248k *(2021: £252k)* due after more than one year) | *18* | **2,002** | 2,204 |
| Cash and cash equivalents | | **5,342** | 7,070 |
| | | **7,374** | 9,304 |
| **Creditors:** amounts falling due within one year | *19* | **(5,073)** | (5,400) |
| **Net current assets** | | **2,301** | 3,904 |
| **Total assets less current liabilities** | | **213,301** | 210,770 |
| **Creditors:** amounts falling due after more than one year | *20* | **(179,175)** | (179,798) |
| **Provisions for liabilities and charges** | | | |
| Pensions | *12* | **(1,801)** | (2,595) |
| Other provisions | *24* | **(125)** | (134) |
| **Total net assets** | | **32,200** | 28,243 |
| **Capital and reserves** | | | |
| Non-equity share capital | *25* | **-** | - |
| Restricted reserves | | **469** | 439 |
| Revenue reserves | | **33,532** | 30,399 |
| Pension reserves | | **(1,801)** | (2,595) |
| | | **32,200** | 28,243 |

All results derive from continuing activities.

These Financial Statements were approved by the Board and authorised for issue, on 12th September 2022 signed on its behalf by:

**A Urbanowicz**
**(Chair of Board)**

**J Ridley**
**(Chair of Risk and Audit Committee)**

**J Walder**
**(Secretary)**

*The Notes on Pages 35 to 61 form part of these financial statements

## Association Statement of Cash FLows
*for the year ended 31st March 2022*

| | Year ended 31st March 2022 £000 | Year ended 31st March 2021 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Surplus /(deficit) for year | **3,460** | (5,146) |
| *Adjustments for non-cash items:* | | |
| Depreciation of tangible fixed assets | **3,112** | 3,025 |
| Amortisation of intangible fixed assets | **32** | 32 |
| Amortisation of Government grant | **(942)** | (916) |
| Decrease in trade and other debtors | **205** | 28 |
| (Decrease)/increase in trade and other creditors | **(401)** | 1,010 |
| (Decrease)/increase in provisions | **(9)** | 10 |
| Pension costs less contributions payable | **(350)** | (311) |
| Surplus on sale of tangible fixed assets | **(32)** | (50) |
| Write-off of tangible fixed assets | **3** | (7) |
| Government grants utilised in the year | **77** | 30 |
| *Adjustments for financing activities;* | | |
| Interest and financing costs | **2,662** | 10,387 |
| Interest received | **(4)** | (9) |
| **Net cash from operating activities** | **7,813** | 8,083 |
| **Cash flows from investing activities** | | |
| Purchase of tangible fixed assets | **(7,408)** | (6,435) |
| Proceeds from sale of tangible fixed assets | **196** | 107 |
| Grants received | **330** | 1,355 |
| Interest received | **4** | 9 |
| **Net cash from investing activities** | **(6,878)** | (4,964) |
| **Cash flows from financing activities** | | |
| Interest paid | **(2,648)** | (10,387) |
| New secured loans | **-** | 102,600 |
| Repayments of borrowings | **(12)** | (93,931) |
| Net decrease in other loans | **(3)** | (76) |
| **Net cash from financing activities** | **(2,663)** | (1,794) |
| **Net (decrease)/increase in cash and cash equivalents** | **(1,728)** | 1,325 |
| Cash and cash equivalents at 1st April | **7,070** | 5,745 |
| **Cash and cash equivalents at 31st March** | **5,342** | 7,070 |

*The Notes on Pages 35 to 61 form part of these financial statements

## Association Statement of Changes in Reserves

*for the year ended 31st March 2022*

| | Share capital £000 | Restricted reserves £000 | Revenue reserve £000 | Pension reserve £000 | Total reserve £000 |
|---|---|---|---|---|---|
| **Balance at 1st April 2020** | - | **411** | **35,884** | **(1,488)** | **34,807** |
| **Total comprehensive income for the financial year** | | | | | |
| Deficit for the year | - | - | (5,146) | - | (5,146) |
| Unwinding of Durham County Council Pension fund | - | - | - | 217 | 217 |
| **Other comprehensive income** | | | | | |
| Actuarial loss recognised in the pension scheme | - | - | - | (1,635) | (1,635) |
| Transfer to restricted reserves | - | 28 | (28) | - | - |
| Transfer to pension reserves | - | - | (311) | 311 | - |
| **Balance at 31st March 2021 & 1st April 2021** | - | **439** | **30,399** | **(2,595)** | **28,243** |
| **Total comprehensive income for the financial year** | | | | | |
| Surplus for the year | - | - | 3,460 | - | 3,460 |
| **Other comprehensive income** | | | | | |
| Actuarial gain recognised in the pension scheme | - | - | - | 497 | 497 |
| Transfer to restricted reserves | - | 30 | (30) | - | - |
| Transfer to pension reserves | - | - | (297) | 297 | - |
| **Balance at 31st March 2022** | - | **469** | **33,532** | **(1,801)** | **32,200** |

**Reconciliation of Opening Reserves**

| | As at 1 April 2020 £000 | Deficit for the Year Ended 31 March 2021 £000 | Actuarial loss for the Year Ended 31 March 2021 £000 | Unwinding of the Durham County Council Pension Fund £000 | Transfer from Revenue Reserve to Restricted Reserves £000 | Transfer from Revenue Reserve to Pension Reserve £000 | As at 31 March 2021 £000 |
|---|---|---|---|---|---|---|---|
| **Restricted Reserves** | **411** | - | - | - | **28** | - | **439** |
| **Revenue Reserve** | | | | | | | |
| As previously stated | 34,675 | (5,146) | - | (222) | (28) | - | 29,279 |
| Transfer to Pension Reserve | 1,209 | - | - | 222 | - | (311) | 1,120 |
| As restated | **35,884** | **(5,146)** | - | - | **(28)** | **(311)** | **30,399** |
| **Pension Reserve** | (279) | - | (1,635) | 439 | - | - | (1,475) |
| As previously stated | (1,209) | - | - | (222) | - | 311 | (1,120) |
| As restated | **(1,488)** | - | **(1,635)** | **217** | - | **311** | **(2,595)** |
| **Total Reserves (previously stated and restated)** | **34,807** | **(5,146)** | **(1,635)** | **217** | - | - | **28,243** |

## Notes

### 1. Legal Status

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

### 2. Accounting Policies

**Basis of Accounting**
These Financial Statements are prepared in accordance with the Housing SORP 2018: (Statement of Recommended Practice for registered social housing providers), the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019 and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102").The Association has taken the exemption not to restate business combinations that took place prior to 1st April 2014.

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

**Merger Accounting**
In the Association's 2020/21 financial statements, merged subsidiary undertakings were treated as if they had already been a member of the Association. The results of such a subsidiary were included for the whole period, whilst operating as both a former Group member and a consolidated entity from 2nd November 2020. 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 were 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 2022/23 and therefore we consider it appropriate to continue to prepare the financial statements on a going concern basis.

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

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

## 2. Accounting Policies (Continued)

**Development Expenditure**
The Association capitalises development expenditure in accordance with the accounting policy described on Page 34. 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.

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

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

Following a trigger for impairment, the Association performs impairment tests based on fair value less costs to sell or a value in use calculation. During 2021/22 the Association has not identified any triggers for impairment.

**Key Estimates and Assumptions**
Key Estimates applied in the preparation of these financial statements;

**Tangible Fixed Assets**

Tangible fixed asset are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values. The carrying value of the tangible fixed assets at 31st March 2022 was £210,868k.

**Goodwill and other intangible assets**

The Association establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. The estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Where, in exceptional circumstances, the useful life of goodwill cannot be determined, the life will not exceed 10 years. The carrying value of goodwill and other intangible assets at 31st March 2022 was £132k.

## 2. Accounting Policies (Continued)

### Pension and other post-employment benefits

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

### Housing Properties

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

Improvements are works which result in an enhancement of the economic benefits of the asset to the Association arising from an increase in the net rental income over the life of the asset, such as a reduction in future maintenance costs, or which result in a significant extension of the useful economic life of the property in the business. The Association operates a component accounting policy in relation to the capitalisation and depreciation of its completed housing property stock. All housing properties are split between their land, structure costs and a set of major components which require periodic replacement. Refurbishment or replacement expenditure on such major components is capitalised and depreciated over the estimated useful economic lives of the components. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. These useful economic lives are as follows:

| Component | Useful Economic Life (Years) |
|---|---|
| Heating | 30 |
| Communal Furniture | 3-10 |
| Air Source Heat Pumps | 15 |
| Cladding | 30-35 |
| Ventilation | 10-15 |
| Solar PV | 15-20 |
| Floor Insulation | 25-30 |
| Insulation (Cavity Wall & Loft) | 25-35 |
| External Wall Insulation | 30-40 |

| Component | Useful Economic Life (Years) |
|---|---|
| Structure | 100 |
| Roof | 60 |
| Windows & Doors | 30 |
| Kitchen | 20 |
| Bathroom | 30 |
| Boiler | 15 |
| Electrics | 30 |
| Internal Wall Insulation | 20-30 |

## 2. Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

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

## 2. Accounting Policies (Continued)

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

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

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

- **Trade and Other Creditors**

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

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

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

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

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

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

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

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

## 2. Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

## 2. Accounting Policies (Continued)

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

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

**Taxation**

The Association 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.

**VAT**

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

**Leased Assets**

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

**Holiday Pay Accrual**

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

**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.

**Pension Costs**

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

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

## 2. Accounting Policies (Continued)

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

- **Defined Contribution & Benefit 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.

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

| | 2022 Turnover £000 | 2022 Operating Expend. £000 | 2022 Operating Surplus £000 | 2021 Turnover £000 | 2021 Operating Expend. £000 | 2021 Operating Surplus £000 |
|---|---|---|---|---|---|---|
| **Social housing lettings** | **21,012** | **(15,209)** | **5,803** | 20,424 | (14,571) | 5,853 |
| **Other social housing activities** | | | | | | |
| Supporting people | **265** | - | **265** | 267 | - | 267 |
| Other | **29** | - | **29** | 29 | - | 29 |
| | **294** | - | **294** | 296 | - | 296 |
| **Non-social housing activities** | | | | | | |
| Other | **21** | - | **21** | 20 | (2) | 18 |
| **Total** | **21,327** | **(15,209)** | **6,118** | 20,740 | (14,573) | 6,167 |

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

| | General Housing £000 | Supported Housing £000 | LCHO £000 | Other Housing £000 | Total 2022 £000 | Total 2021 £000 |
|---|---|---|---|---|---|---|
| **Turnover from social housing lettings** | | | | | | |
| Rent receivable net of identifiable service charges | 14,500 | 2,329 | 20 | 151 | 17,000 | 16,484 |
| Service charge income net of voids | 176 | 2,099 | 13 | - | 2,288 | 2,273 |
| Charges for support services | - | 26 | - | - | 26 | 26 |
| **Net rental income** | 14,676 | 4,454 | 33 | 151 | 19,314 | 18,783 |
| Amortised Government Grants | 669 | 271 | 2 | - | 942 | 916 |
| Other income from lettings | 10 | 735 | - | 4 | 749 | 719 |
| Other grants | 7 | - | - | - | 7 | 6 |
| **Turnover from social housing lettings** | 15,362 | 5,460 | 35 | 155 | 21,012 | 20,424 |
| **Expenditure on social housing lettings** | | | | | | |
| Management | 2,360 | 1,949 | - | 40 | 4,349 | 4,509 |
| Service charge costs | 435 | 1,267 | - | 20 | 1,722 | 1,665 |
| Routine maintenance | 2,366 | 704 | 4 | 37 | 3,111 | 2,269 |
| Planned maintenance | 1,088 | 486 | 3 | 11 | 1,588 | 1,678 |
| Major repairs expenditure | 1,153 | 34 | - | - | 1,187 | 1,174 |
| Bad debts | 48 | 19 | - | 1 | 68 | 197 |
| Lease Costs | 16 | 142 | - | 71 | 229 | 272 |
| Depreciation of housing properties | 2,464 | 481 | 10 | - | 2,955 | 2,807 |
| **Operating expenditure on social housing lettings** | 9,930 | 5,082 | 17 | 180 | 15,209 | 14,571 |
| **Operating surplus/(deficit) on social housing lettings** | 5,432 | 378 | 18 | (25) | 5,803 | 5,853 |
| **Void losses** | (129) | (119) | - | (8) | (256) | (278) |

## 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 2022 | | No. of Properties 2021 | |
|---|---|---|---|---|
| | **Owned** | **Managed** | Owned | Managed |
| **SOCIAL HOUSING** | | | | |
| **Under Development at Year End** | | | | |
| General Needs Housing Affordable Rent | **114** | **-** | 67 | - |
| Supported Housing at Affordable Rent | **8** | **-** | 2 | - |
| | **122** | **-** | 69 | - |
| **Under Management at Year End** | | | | |
| General Needs Housing Social Rent | **2,228** | **65** | 2,229 | 67 |
| General Needs Housing Affordable Rent | **893** | **1** | 859 | 1 |
| Supported Housing | **274** | **-** | 275 | - |
| Housing for Older People | **193** | **-** | 193 | - |
| Intermediate Rent | **16** | **-** | 17 | - |
| Low Cost Home Ownership | **28** | **-** | 15 | - |
| | **3,632** | **66** | 3,588 | 68 |

| | 2021 | Additions | Disposals | Movements | 2022 |
|---|---|---|---|---|---|
| **Summary Owned and/or Managed** | **No** | **No** | **No** | **No** | **No** |
| General Needs Housing at Social Rent | **2,296** | - | (6) | 3 | **2,293** |
| General Needs Housing at Affordable Rent | **860** | 34 | - | - | **894** |
| Supported Housing at Social Rent | **405** | 5 | (2) | (2) | **406** |
| Housing for Older People at Social Rent | **193** | - | - | - | **193** |
| Intermediate Rent | **17** | - | - | (1) | **16** |
| Low-Cost Home Ownership | **15** | - | - | 13 | **28** |
| | **3,786** | 39 | (8) | 13 | **3,830** |

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 nil (2021: 7) general needs affordable rent units which had reached practical completion but had not been handed over to housing management by 31 March 2022.

The Association owns 132 (2021: 130) supported housing units and registered care homes as set out in Note 5 that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

## 5. Accommodation Managed by Others

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

| | **2022** | 2021 |
|---|---|---|
| **SOCIAL HOUSING** | | |
| **Under Management at Year End** | | |
| Supported Housing | 129 | 127 |
| Registered Care Homes | 3 | 3 |
| | 132 | 130 |

## 6. Operating Surplus

This is arrived at after charging/(crediting):

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| External Auditor's remuneration in their capacity as auditors (excluding VAT) | **31** | 38 |
| Depreciation of housing properties | **2,955** | 2,807 |
| Depreciation of other tangible fixed assets | **157** | 218 |
| Surplus on sale of Fixed assets | **(32)** | (50) |
| Operating lease rentals | **229** | 292 |
| Amortised government grants | **(942)** | (916) |

## 7. Surplus on Disposal of Fixed Assets

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Disposal proceeds | **216** | 117 |
| Carrying value of fixed assets and costs of disposal | **(87)** | (27) |
| Retained by Durham County Council | **(20)** | (30) |
| Capital Grant Recycled | **(77)** | (10) |
| | **32** | 50 |

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

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Interest Receivable and Similar Income | **4** | 9 |

## 9. Interest Payable and Financing Costs

| | 2022 £000 | 2021 £000 |
|---|---|---|
| On Loans wholly or partly repayable in more than 5 years | **2,630** | 2,593 |
| Amortisation of loan fees | **18** | 773 |
| Other interest expense on SHPS (pension scheme Note 12) | **53** | 31 |
| | **2,701** | 3,397 |
| Less interest capitalised on Housing Properties under construction (Note 14) | **(39)** | (61) |
| | **2,662** | **3,336** |
| Bank loan break costs | - | **7,051** |
| | **2,662** | 10,387 |

## 10. Payments to Members of the Board

The members of the Board received the following emoluments:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Relating to North Star Housing Group Board membership | **51** | 38 |
| | **51** | 38 |

| | 2022 £ | 2021 £ |
|---|---|---|
| Peter Waugh | **10,273** | 9,209 |
| Paul Craggs | **3,273** | 3,744 |
| Anna Urbanowicz | **6,388** | 5,195 |
| David Lyall | **4,364** | 3,744 |
| Anne Worrall-Davies | - | 2,367 |
| Jason Ridley | **5,533** | 4,492 |
| Claire Warren | **4,364** | 3,744 |
| Mark Thompson | **4,364** | 2,856 |
| Graeme Allinson | **4,364** | 2,442 |
| Simon Wake | **2,909** | - |
| David Walker | **2,909** | - |
| Nicki Clarke | **1,091** | - |
| Joanne Todd | **1,091** | - |
| | **50,923** | 37,793 |

Expenses reimbursed to members of the Association's Board were £804 *(2021: £827)*.

## 11. Directors' Emoluments

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

| | 2022 Basic salary | 2022 National Insurance contributions | 2022 Pension contributions | 2022 Total | 2021 Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Chief Executive Officer | 140 | 18 | 8 | 166 | 164 |

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 (*2021: £8k*).

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

| | 2022 Basic Salary | 2022 National Insurance contributions | 2022 Pension contributions | 2022 Total | 2021 Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Executive Director of Finance & Business Support and Company Secretary | 110 | 14 | 6 | 130 | 127 |
| Executive Director of Customers | 94 | 12 | 4 | 110 | 107 |
| Executive Director of Assets & Growth | 109 | 14 | 6 | 129 | 126 |
| Executive Director of People & Culture | 93 | 12 | 5 | 110 | 102 |
| Aggregate emoluments of Executive Directors | 406 | 52 | 21 | 479 | 462 |
| Aggregate emoluments of Executive Directors including Chief Executive & Board Members | 597 | 70 | 29 | 696 | 664 |

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

| | 2022 No. | 2021 No. |
|---|---|---|
| £60,001 - £70,000 | 6 | 6 |
| £80,001 - £90,000 | - | 1 |
| £90,001 - £100,000 | 2 | 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 *(2021: 7:1)*.

## 12. Employees

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

| | 2022 Number | 2021 Number |
|---|---|---|
| Office Staff | **81** | 87 |
| Wardens, Caretakers and Cleaners | **2** | 2 |
| | **83** | 89 |

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Wages and salaries | **3,442** | 3,114 |
| Social security costs | **339** | 304 |
| Durham County Council Pension Fund | **-** | 16 |
| Pension costs: Social Housing Pension Scheme | **155** | 151 |
| | **3,936** | 3,585 |

Loans totalling £48.4k have been made to employees in the year (2021: £7.8k). All loans are at a fixed rate of interest with the term of the loans not exceeding 5 years.

The Association participates in the Social Housing Pension Scheme (SHPS) and previously participated in the Durham County Council Pension Fund (DCCPF) for which membership of the scheme ceased in prior year.

**The Social Housing Pension Scheme (SHPS)**

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

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

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30th September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit 31 March 2028.

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

For 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 Association has accounted for the Scheme as a defined contribution scheme.

## 12. Employees (continued)

For financial years ending on or after 31st March 2019, it is possible to obtain sufficient information to enable the Association 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 each year. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for the accounting year-ends from the following 31 March 2022 to 28 February 2023 inclusive.

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

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

| | 31st March 2022 | 31st March 2021 |
|---|---|---|
| | % | % |
| Discount Rate | **2.79** | 2.17 |
| RPI Inflation | **3.59** | 3.28 |
| CPI Inflation | **3.20** | 2.86 |
| Salary Increases | **4.20** | 3.66 |

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

| | Asset Split at 31st March 2022 £000 | Asset Split at 31st March 2021 £000 |
|---|---|---|
| Global Equities | **2,301** | 1,894 |
| Absolute Return | **481** | 656 |
| Distressed Opportunities | **429** | 343 |
| Credit Relative Value | **398** | 374 |
| Alternative Risk Premia | **395** | 448 |
| Fund of Hedge Markets | **-** | 1 |
| Emerging Markets Debt | **349** | 480 |
| Risk Sharing | **395** | 433 |
| Insurance -Securities | **280** | 285 |
| Property | **324** | 247 |
| Infrastructure | **854** | 792 |
| Private Debt | **307** | 283 |
| Opportunistic liquid credit | **403** | 302 |
| High Yield | **103** | 356 |
| Credit Opportunities | **43** | 326 |
| Cash | **41** | - |
| Corporate Bonds | **800** | 702 |
| Liquid credit | **-** | 142 |
| Long Lease Property | **308** | 233 |
| Secured Income | **447** | 494 |
| Liability Driven Investments | **3,345** | 3,020 |
| Currency Hedging | **(47)** | - |
| Net Current Assets | **33** | 72 |
| Total Assets | **11,989** | 11,883 |

## 12. Employees *(continued)*

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies

| | Life expectancy at age 65 (Years) | Life expectancy at age 65 (Years) |
|---|---|---|
| Male retiring in 2022 (2021) | **21.1** | 21.6 |
| Female retiring in 2022 (2021) | **23.7** | 23.5 |
| Male retiring in 2042 (2041) | **22.4** | 22.9 |
| Female retiring in 2042 (2041) | **25.2** | 25.1 |

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

| | Value at 31st March 2022 £000 | Value at 31st March 2021 £000 |
|---|---|---|
| Fair value of plan assets | **11,989** | 11,883 |
| Present value of defined benefits obligation | **(13,790)** | (14,478) |
| **Net (deficit)** | **(1,801)** | (2,595) |

| | Value at 31st March 2022 £000 | Value at 31st March 2021 £000 |
|---|---|---|
| Defined benefit obligation at 1st April | **14,478** | 11,880 |
| Expenses | **10** | 10 |
| Interest expense | **310** | 261 |
| Actuarial loss/(gain) due to scheme experience | **586** | (212) |
| Actuarial (gain)/loss due to changes in demographic assumptions | **(223)** | 52 |
| Actuarial (gain)/loss due to changes in financial assumption | **(981)** | 2,769 |
| Benefits paid and expenses | **(390)** | (282) |
| **Defined benefits obligation at 31st March** | **13,790** | 14,478 |

| | Value at 31st March 2022 £000 | Value at 31st March 2021 £000 |
|---|---|---|
| Fair value of plan assets at 1st April | **11,883** | 10,609 |
| Interest income | **257** | 230 |
| Experience on plan assets (excluding amounts included in interest income – (loss)/gain | **(121)** | 974 |
| Employer contributions | **360** | 352 |
| Benefits paid and expenses | **(390)** | (282) |
| **Fair value of plan assets at 31st March** | **11,989** | 11,883 |

## 12. Employees *(continued)*

### Analysis of amounts charged to Statement of Comprehensive Income

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Expenses | 10 | 10 |

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Expected return on Scheme assets | 257 | 230 |
| Interest on Scheme liabilities | (310) | (261) |
| | (53) | (31) |

### Defined benefit cost recognition Other Comprehensive Income (OCI)

| | Value at 31st March 2022 £000 | Value at 31st March 2021 £000 |
|---|---|---|
| Experience on plan assets (excluding amounts included in interest income – (loss)/gain | (121) | 974 |
| Experience of gains and losses arising on the plan liabilities- (loss)/gain | (586) | 212 |
| Effects of changes in the demographic assumptions underlying the present values of the defined benefits obligations – gain/(loss) | 223 | (52) |
| Effects of the changes in the financial assumptions underlying the present value of the defined benefits obligations- gains/(loss) | 981 | (2.769) |
| **Total amount recognised in the Other Comprehensive Income - gain/ (loss)** | 497 | (1,635) |

### Analysis of amounts recognised in the Statement of Comprehensive Income

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Actuarial gain/(loss) | 497 | (1,635) |

### The Social Housing Pension Scheme (SHPS) Growth Plan

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 638 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the organisation to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

## 12. Employees (continued)

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

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

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

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

**Deficit contributions**
From 1 April 2019 to 31 January 2025: £11,243,000 per annum
(payable monthly and increasing by 3% on 1st April)

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

Where the scheme is in deficit and where the organisation has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

**Reconciliation of opening and closing provision**

| | 2022 £000 | 2021 £000 restated |
|---|---|---|
| Provision at 1st April | (25) | (29) |
| Unwinding of the discount factor (interest expense) | - | (1) |
| Deficit contribution paid | 6 | 6 |
| Remeasurement-impact of any changes in assumption | - | (1) |
| Remeasurement-amendments to the contributions schedule | 14 | - |
| Provision at 31st March | (5) | (25) |

## 12. Employees *(continued)*

### Income and expenditure impact

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Interest expense | - | 1 |
| Remeasurement – impact of any change in assumption | - | 1 |
| Remeasurement – amendments to the contributions schedule | (14) | - |
| | (14) | 2 |

### Assumptions

| | 2022 % per annum | 2021 % per annum |
|---|---|---|
| Rate of discount | 2.35 | 0.66 |

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

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

### Deficit contributions schedule

| | 2022 £ | 2021 £ |
|---|---|---|
| Year 1 | 1,721 | 6,209 |
| Year 2 | 1,721 | 6,395 |
| Year 3 | 1,434 | 6,587 |
| Year 4 | - | 5,654 |

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

**The Durham County Council Pension Fund (DCCPF)**

In June 2020 the 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.

## 12. Employees (continued)

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Scheme deficit at the start of the year | - | (217) |
| Employer withdrawal from scheme | - | 217 |
| **Net deficit** | - | - |

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Actuarial loss | - | - |
| Employer withdrawal from scheme | - | 217 |

## 13. Tax on Surplus on Ordinary Activities

| | 2022 £000 | 2021 £000 |
|---|---|---|
| **Total Tax Charge in the Income Statement** | - | - |
| **Current tax reconciliation** | | |
| Surplus on ordinary activities before taxation | 3,460 | (1,057) |
| Theoretical tax at UK corporation rate 19% *(2021: 19%)* | (657) | (201) |
| Effects of: | | |
| Charitable income not taxable | 657 | - |
| Non-deductible expenses | - | 106 |
| Deferred Tax not provided | - | 95 |
| | - | - |

## 14. Tangible Fixed Assets – Housing Properties

| | Completed properties | | Under construction | |
|---|---|---|---|---|
| | For rent | *LCHO | For rent | Total |
| | £000 | £000 | £000 | £000 |
| **Cost** | | | | |
| At 1st April 2021 | 232,173 | 1,041 | 1,210 | 234,424 |
| Development of New Properties | 28 | - | 4,321 | 4,349 |
| Works to Existing Properties | 2,865 | 2 | - | 2,867 |
| Interest Capitalised | - | - | 39 | 39 |
| Disposals | (495) | - | - | (495) |
| Schemes Completed | 4,252 | - | (4,252) | - |
| **At 31st March 2022** | 238,823 | 1,043 | 1,318 | 241,184 |
| **Depreciation** | | | | |
| At 1st April 2021 | 28,660 | 129 | - | 28,789 |
| Charge for year | 2,940 | 15 | - | 2,955 |
| Disposals | (326) | - | - | (326) |
| **At 31st March 2022** | 31,274 | 144 | - | 31,418 |
| **Impairment** | | | | |
| At 1st April 2021 and 31st March 2022 | 191 | - | - | 191 |
| **Net book value** | | | | |
| **At 31st March 2022** | **207,358** | **899** | **1,318** | **209,575** |
| At 31st March 2021 | 203,322 | 912 | 1,210 | 205,444 |

*Low Cost Home Ownership

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| **Housing properties cost comprises:** | | |
| Freehold | **230,361** | 223,668 |
| Long leasehold | **10,823** | 10,756 |
| | **241,184** | 234,424 |

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| Expenditure on works to housing properties: | | |
| Amount capitalised | **2,867** | 1,490 |
| Amount charged to Income and Expenditure account | **1,187** | 1,242 |
| | **4,054** | 2,732 |

## 15. Tangible Fixed Assets - Other

| | Freehold office premises £000 | Office furniture fittings and equipment £000 | Computer equipment £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1st April 2021 | 1,978 | 273 | 647 | 2,898 |
| Additions | - | 7 | 185 | 192 |
| Disposals | - | - | (238) | (238) |
| **At 31st March 2022** | 1,978 | 280 | 594 | 2,852 |
| **Depreciation** | | | | |
| At 1st April 2021 | 325 | 75 | 383 | 783 |
| Charge for year | 18 | 28 | 111 | 157 |
| Disposals | - | - | (238) | (238) |
| **At 31st March 2022** | 343 | 103 | 256 | 702 |
| **Impairment** | | | | |
| At 1st April 2021 and 31st March 2022 | 857 | - | - | 857 |
| **Net Book Value** | | | | |
| **At 31st March 2022** | **778** | **177** | **338** | **1,293** |
| **At 31st March 2021** | **796** | **198** | **264** | **1,258** |

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

## 16. Intangible Fixed Assets

| | Goodwill £000 |
|---|---|
| ***Costs*** | |
| **At 1st April 2021 and 31st March 2022** | **630** |
| ***Amortisation*** | |
| At 1st April 2021 | 466 |
| Charge for year | 32 |
| **At 31st March 2022** | **498** |
| ***Net book value*** | |
| **At 31st March 2022** | **132** |
| At 31st March 2021 | 164 |

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Other Investment | 30 | 30 |
| | 30 | 30 |

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

## 18. Debtors

| | 2022 £000 | 2021 £000 |
|---|---|---|
| **Due within one year** | | |
| Arrears of rent and service charge | 989 | 1,098 |
| Less: provision for doubtful debts | (261) | (306) |
| | 728 | 792 |
| Other debtors | 393 | 522 |
| Prepayments and accrued income | 633 | 638 |
| | 1,754 | 1,952 |
| **Due after more than one year** | | |
| Loan to managed Association (John Pease Cottages) | 105 | 114 |
| Employee loans | 49 | 37 |
| Mortgage debtors | 94 | 101 |
| | 248 | 252 |
| | 2,002 | 2,204 |

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Housing loans (Note 23) | 34 | 39 |
| Other taxation and social security | 1 | 4 |
| Trade creditors | 259 | 465 |
| Other creditors | 485 | 694 |
| Accruals and deferred income | 3,099 | 2,945 |
| Rents and service charge paid in advance | 249 | 309 |
| Deferred income – grant (Note 21) | 944 | 944 |
| Pension Growth plan (Note 12) | 2 | - |
| | 5,073 | 5,400 |

Loans are secured by Housing Properties, see note 14

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Housing loans (Note 23) | 101,260 | 101,267 |
| Deferred Income Grant (Note 21) | 77,742 | 78,438 |
| Recycled Capital Grant Fund (RCGF) < 3 years (Note 22) | 130 | 53 |
| Recycled Capital Grant Fund (RCGF) > 3 years (Note 22) | 40 | 40 |
| Pension Growth Plan (Note 12) | 3 | - |
| | 179,175 | 179,798 |

Loans are secured by Housing Properties, see note 14

## 21. Deferred Capital Grant

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Cost at 1st April | 94,486 | 93,161 |
| Additions in the year | 330 | 1,315 |
| Disposals in the year | (94) | (30) |
| Grant in advance | - | 40 |
| **At 31st March** | 94,722 | 94,486 |
| Amortisation at 1st April | 15,104 | 14,192 |
| Charge in the year | 942 | 916 |
| Disposals in the year | (10) | (4) |
| **At 31st March** | 16,036 | 15,104 |
| **Deferred income total at 31st March** | 78,686 | 79,382 |

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:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Amounts falling due within one year | 944 | 944 |
| Amounts falling due after more than one year | 77,742 | 78,438 |
| | 78,686 | 79,382 |
| Recognised in the Statement of Comprehensive Income | 16,036 | 15,104 |
| Held as deferred income | 78,686 | 79,382 |
| | 94,722 | 94,486 |

## 22. Recycled Capital Grant Fund

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Opening balance | 93 | 63 |
| **Inputs to fund** | | |
| Grants recycled | 77 | 30 |
| | 170 | 93 |
| **Recycling of grant** | | |
| New build | - | - |
| Repayment of grant to Homes England | - | - |
| | 170 | 93 |
| Amounts 3 years and older where repayment may be required | 40 | 40 |

## 23. 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 10.91%. The final instalments fall due to be repaid in 2038.

At 31st March 2022 the Association had undrawn facilities of £35m (2021: £35m), consisting of an undrawn revolving credit facility of £25m and a deferred drawdown of £10m with a capital markets funder scheduled for November 2022. The maturity profile of the Association's borrowings is as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Within one year | 34 | 39 |
| Between one and two years | 37 | 43 |
| Between two and five years | 139 | 159 |
| In five years or more | 101,157 | 101,156 |
| Unamortised loan fees | (73) | (91) |
| | 101,294 | 101,306 |

## 24. Provisions for Liabilities and Charges

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Opening balance | 134 | 124 |
| Income (increase in provision in the year) | 19 | 38 |
| Expenditure | (28) | (30) |
| Re-sale contributions | - | 2 |
| Closing balance | 125 | 134 |

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

## 25. Non-Equity Share Capital

| | 2022 £ | 2021 £ |
|---|---|---|
| **Shares of £1 each issued and fully paid** | | |
| At 1st April | 9 | 8 |
| Shares issued during the year | 4 | 2 |
| Shares surrendered during the year | (3) | (1) |
| **At 31st March** | **10** | **9** |

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

## 26. Capital Commitments

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | 4,539 | 1,973 |
| Capital expenditure that has been authorised by the Board but has not yet been contracted for | 14,664 | 8,515 |

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

| | 2022 | 2021 |
|---|---|---|
| Committed Loan Facilities | 15,782 | 8,891 |
| Social Housing Grant | 3,421 | 1,597 |

## 27. Operating Lease Commitments

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| **Land & Buildings:** | | |
| Less than one year | 209 | 214 |
| Between two and five years | 743 | 752 |
| More than five years | 376 | 595 |
| **Others:** | | |
| Less than one year | 25 | 25 |
| Between two and five years | 48 | 62 |
| More than five years | - | - |
| | 1,401 | 1,648 |

During the year £229k was recognised as an expense in the Statement of Comprehensive Income in relation to operating leases *(2021: £292k)*.

## 28. Related Party Transactions

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Management expenses recharged to John Pease Cottages | 4 | 7 |
| Day to day repairs recharged to John Pease Cottages | 5 | 2 |

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

During the prior 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.

## 29. Costs linked to Merger

During the prior year 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

## 30. Analysis of Changes in Net Debt

| | As at 1st April 2021 £000 | Cash flows £000 | Other non-cash items £000 | At 31st March 2022 £000 |
|---|---|---|---|---|
| Cash | 7,070 | (1,728) | - | 5,342 |
| Bank loans due within one year | (39) | 30 | (25) | (34) |
| Bank loans due after more than one year | (101,358) | - | 25 | (101,333) |
| Unamortised Fees | 91 | - | (18) | 73 |
| | (94,236) | (1,698) | (18) | (95,952) |

NORTH STAR

Creating homes, building futures

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