NORTH STAR

Creating homes, building futures
















Annual Report and Financial Statements

Year ending 31st March 2023

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)
David Lyall (Chair of Remuneration & Employment Conditions Committee)
Mark Thompson
Graeme Allinson
David Walker
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Nicki Clark
Joanne Todd

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

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

External Auditor
Beever and Struthers
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25 Gresham Street
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Report of the Board

Results for the year

The Board presents its Annual Report and the audited Financial Statements for the year ended 31st March 2023.

Organisation Structure and Activities

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

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

Review of the year

Each year it seems there is a fresh challenge for the sector, often created by a volatile external environment. The last 12 months have been no different, coming out of a global pandemic with limited time for recovery we have experienced a serious cost-of-living crisis. This has affected every business and individual; it has particularly impacted low-income households who are our main customers. It has required us to be even more focused, agile, and responsive, to ensure our resources are targeted and effective. The high rate of inflation has been very challenging with most costs affected, which inevitably has impacted our surplus position, it still though remains relatively strong which is testament to the robustness of the business. We have ensured services, stock investment and building new homes has continued. Our values, social purpose and people approach have never been more needed and the work we have done to create high levels of trust through strong relationships has kept us resilient throughout.

Despite these issues we are pleased to report another successful year for North Star. This cumulative resilience that is built into the operating model has enabled us to withstand the external shocks of the last few years. In addition, we have also had an even stronger focus on the business and financial plans, budgets, risk management and assurances to ensure we can deliver on our ambitions and promises. Our commitment to customers remains a priority, not only ensuring high quality services but regular and planned stock investment, decarbonisation and building new homes. We have targeted support in communities and to individuals, who have never needed it so much. North Star has worked hard to balance these priorities, by listening to customers and understanding what matters.

The Organisation achieved an operating surplus for the year of £5,242k (2022: £6,150k) and an overall net surplus for the year of £2,554k (2022: £3,460k).Despite rising inflation acting to increase elements of our cost base, we are pleased with these results as it enables us to invest further in our business priorities as detailed in our three-year strategy: Leading & Growing North Star 2026. It also aligns with our Surplus for Purpose Statement capturing 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.

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

The operating area remains challenging because of the requirement for regeneration activity with limited available funding, acute deprivation, an above average ageing population and a complex political environment. All these issues require creative solutions, and we are committed to do all we can to alleviate some of the housing pressures and to be a partner of choice. The Tees Valley Combined Authority provides opportunity as will the Northeast Combined Authority planned for 2024.

We continue to benefit from our well-timed debt refinancing and organisation consolidation project carried out a few years ago. This has secured our investment capacity well into the future. Linked to our drive for efficiency, we have been able to deliver all we planned during the year with a strong year end out-turn across operations.

Our performance across all main KPIs are benchmarked through HouseMark and have remained solid despite cost-of-living challenges. The Value for Money section contains further details about our 12-month performance. Our core strategic objectives for 2022/23 were Growth, Culture and Customers and progress against these are set below.

Objective	Outturn
GROWTH	
Undertake a feasibility into the transformation of a small mixed tenure terraced street to determine the costs and challenges of achieving zero carbon housing	A costed, model, has been produced. This will help to focus discussions, with stakeholders.
Deliver 75 new homes	Delivery of 71 new homes with a further six due for completion in early 2023/2024.
Explore models for the delivery of zero carbon new build homes	Options have been developed. Work with consultants to develop our Future Homes Standard is ongoing as we look to refine the costs of zero carbon new build homes.
CULTURE	
Deliver organisational and personal development	A three-day development programme was delivered to 17 new staff and a Leadership programme was delivered to all Managers and Directors. Mentors have been developed and are now available across the organisation and sessions were held with all staff on building resilience
Increase the level of staff who have a disability from 5% to 8% Increase the level of ethnic minority staff from 6% to 8%	The target to increase levels of staff who have a disability has been achieved. The target for ethnic minority staff has not yet been achieved. However, representation has increased to 6%
CUSTOMERS	
Review the capture and reporting of customer satisfaction to prepare for new consumer regulation	A three-year plan has been developed. This defines how satisfaction and insight will be captured and reported to Board
Deliver six new homes to alleviate street homelessness	Partnerships with Homes England, Middlesbrough Council, and Durham County Council have delivered eight homes
To improve transparency with customers and other stakeholders	Consultation with 200 customers was conducted to ask them their priorities. The outcome has influenced what we publish

Digital progress

The drive to improve technology accelerated in the pandemic, has continued and is bringing about efficiencies and improves services. Our development of digital systems, data collection and the use of Power BI continues and the planning for a new Microsoft Dynamics Housing Management System is well developed for a roll out over the next few years. A strong focus remains on cyber security which is a serious risk to all businesses, with regular testing, upgrades and learning from those affected.

Customer Involvement

We have piloted two new customer involvement initiatives in the last twelve months to involve tenants even further in strategic decision making. The Citizens Jury Model on decarbonisation and energy efficiency and a Commonplace consultation website to crowdsource tenants' feedback on issues. We also started work with the Centre for Governance & Scrutiny to further build on Customer engagement.

Customer satisfaction

Early planning for the regulatory Tenant Satisfaction Measures (TSM) during the year meant that we were ready to start these from 1st April 2023. We ended the year with customer satisfaction levels of 84.8% using our Rant & Rave data collection. This was below our target of 92% but was consistent with the overall level of satisfaction achieved in 2021/22 at 85.3%. Our UK customer satisfaction index score of 83.6 using the Institute of Customer Service (ICS) business benchmarking, places us as the highest ranked Housing Association. The introduction of a new contractor for repairs and maintenance in September 2022 was a significant transition and led to some reduction in service, which we have been working to restore with success. We reviewed our priority communities research using a consultant to enable us to focus resources to achieve the best outcomes. We provided a significant fund to help support tenants suffering from the cost-of-living crisis, through grants and vouchers. We also employed an additional officer to support new tenants. The pressure on our existing welfare benefits team was unprecedented with treble the referrals when compared to the previous year. Through this work we were pleased to bring an additional £610k of income for tenants.

There is more detail on customer satisfaction across a range of services in the Value for Money report (page 9).

Delivering new homes

We provided 71 new homes, with a strong pipeline for 2023/24 despite the continuing challenges with the River Tees Nutrient Neutrality issues that has prevented many local schemes being developed. A solution is emerging, and we are hopeful we can recommence activity over the next twelve months in this location. We have experienced significant increases in costs of development and for S106 units (from planning gain) which has required us to continually review our development appraisal model – this is likely to continue. We are very pleased to have provided much needed accommodation for rough sleepers in Teesside and County Durham.

Investing in homes and decarbonisation

The investment of £2,834k to improve existing properties has been well received by tenants and we were pleased to provide decarbonisation work to 69 properties, funded in part through the Governments Social Housing Decarbonisation Fund (SHDF). We have had a further successful consortia bid for more of this work over the next 12 months. We have also carried out refurbishment work to a pre-1919 terraced property in Middlesbrough to achieve net zero carbon as part of a pilot process to gather learning. In addition, we have undertaken some detailed work to cost the regeneration and decarbonisation of a small, terraced street in Darlington to help influence the regeneration agenda going forward. The cost of achieving EPC level C by 2028, which is two years earlier than government require, and a contribution towards delivering the net zero 2050 government targets are included in the business plan.

Equality, Diversity and Inclusion

Our commitment to equality, diversity and inclusion was reinforced by stretching targets for the diversity of the workforce and lettings to tenants by ethnicity. We have worked hard to achieve the workforce targets. We know there is more work to be done and in 2023 our targets will continue to be ambitious; our data will be stronger, and our intelligence and knowledge improved. The two-year Board trainee programme will complete in 2023/24. This was developed to attract more younger people and those from an ethnic minority background onto Boards to assist with identified under-representation. This innovative programme funded four people and has been highly successful. It is likely to lead to us having a more diverse Board than previous. We will continue to work hard to ensure diversity of thought is brought into the Board and the wider organisation.

During 2022/23 we have;

- Carried out peer benchmarking on the male to female ratio of staff.
- Increased the level of staff who have a disability from 5% to 8%.
- Reviewed the minority ethnic apprenticeship scheme with a view to increasing its effectiveness.
- Reviewed the demographics of staff and Board members.
- Analysed our recruitment data to identify issues of under representation or inequality.

Housing Ombudsman Service

Damp Mould and Condensation

The sector has suffered reputational damage during the year, and we are committed to doing all we can to remedy this. The issues in relation to Damp & Mould are very serious and we have adopted the Housing Ombudsman recommendations as part of our comprehensive action plan.

Future Developments

During the year we developed our new and exciting three-year strategy – Leading & Growing 2026 working with tenants, staff, and board members. This co-created and collaborative vision was carefully designed by all involved to create a balance of ambition and consolidation. In an anonymous ballot, 99% of staff, board and tenants supported the strategy and in doing so, provided a very strong mandate to deliver its priorities. This relatively unique approach to process, design and outcome will undoubtedly lead to North Star achieving its priorities and promises and will keep the organisation strong well into the future; everyone knows and understands their role, collective ambition and mutually agreed outcomes.

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

Corporate Governance

During the year the Regulator of Social Housing (RSH) carried out its four yearly In Depth Assessment (IDA) of North Star. This rigorous and robust process involving document reviews, observations at Board meetings, interviews with key individuals and an assessment of regulatory returns, resulted in us retaining our top judgements of G1 for governance and V1 for viability.

We fully comply with the economic and consumer standards prescribed by the Regulator of Social Housing, and the National Housing Federation (NHF) Code of Governance 2020. During the year we signed up to the revised NHF Code of Conduct for everyone across the business. We annually self-assess against these along with the Housing Ombudsman Complaints Handling Code. During the year we had an external review of our plans to deliver objectives from the Social Housing White Paper to ensure we were doing all that was required, and more. We have also adopted the NHF Mergers, Organisation Structures and Partnerships Code, which is voluntary and useful when faced with options. Enhancing this is a revised Merger strategy that was completed during the year with an independent consultant. This demonstrated there was no imperative to merge, but the organisation would consider others joining North Star where value is added for both parties.

With an external consultant the Board fully reviewed its risk appetite and carried out an extensive effectiveness review, including a skills assessment through a rigorous individual and collective appraisal process. The recommendations from this and from the IDA are detailed in a well monitored Governance Improvement Plan. This ensures Board is progressive, constantly learning and moving at a pace that fits with the current requirements.

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

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

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

- Robust stress testing is carried out at least annually, against identified strategic risks and combinations of risks across a range of scenarios with and without mitigations. The Business Plan is agreed by Board annually and reviewed bi-annually as a minimum. During the year we added a further review because of the issues with cost increases. The current Plan was fully stress tested and agreed in April 2023. Board are aware of the risk of major failure in the Plan which would be significant unplanned costs with no mitigations, or the impact of a rent decrease on a scale never experienced.

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

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

Board succession is well planned through regular reviews of terms of office, with adherence to the NHF Code of Governance on maximum terms served. As well as a strong fiduciary focus, the Board values its generative approach, that is brought not only at Board meetings but also at regular residentials that are externally facilitated. This also enables strong relationships to develop to enable them to manage the complexity and changing requirements of their role. The Board has developed a set of Guiding Principles that details how it wants to operate and a revised purpose. Board members are committed to learning and development and attend a wide range of external seminars and training events, complemented by planned internal briefings and overviews.

Employees

The organisation highly values its employees and their continued health and well-being. A cultural change process that led to the organisation adopting a shared leadership model working with high levels of trust and accountability has been very successful, as evidenced in our business success and achievement of the Investors in People Platinum (IiP) accreditation. Our people focus and relationships set us apart from many other housing providers and help to keep North Star strong.

Hybrid working is now part of how we operate which meets the needs of both the business and people employed. This not only protects the relational culture, but also provides more flexibility and fluidity and builds further on trust. It is a successful model that is regularly reviewed with staff and as new requirements emerge, we are well placed to adapt. The office remains an important hub that is well used and valued. In our IiP Platinum interim staff survey in 2022, on a 90% response rate, said 99% of staff agreed North Star was a great place to work and 98% feel trusted to try new approaches.

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 business plan that was approved by Board in April 2023, 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.

Value for Money

Current Context

Value for Money (VFM) has never been so critical for the organisation and our customers, who are at the forefront of the cost-of-living crisis driven by a range of external factors. Over the last three years Brexit, a global pandemic and ongoing war in Europe have driven inflation to a 40-year high. We are conscious that the impact of inflation has a disproportionate impact on low-income households many of whom are already experiencing poverty and destitution. It remains critical that North Star can deliver VFM, so we are able to invest in properties, services and communities.

Cost-of-living pressures have also had an impact on the finances of North Star. Over the last 12 months we have experienced cost pressures and inflationary increases across the business. The recent events of high inflation and interest rates in the UK economy, have shifted the dynamic of VFM from delivering cost savings (which remains important) to more recently managing and mitigating cost increases. We need to be proactive in addressing these challenges to ensure that we remain financially resilient and deliver strong customer satisfaction whilst we continue to operate in an increasingly uncertain world.

There is a wide range of information on VFM in this report covering costs, performance, and outcomes. There is data showing trends within North Star and comparing North Star with our peers. The report also highlights areas of strong performance and areas of challenge with actions to improve. The report largely provides a retrospective view on performance. We have detailed how we compare to peers on published data available up to March 2022.

Our Approach

VFM is a 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.

The Regulator of Social Housing (RSH) has specific expectations of housing associations in relation to VFM which are set out in the April 2018 VFM Standard. Our VFM strategy enables us to express how we achieve these RSH expectations.

A sustained focus on VFM is essential if we are to achieve our strategic objectives. To quote from the vision to 2026:

"VFM is a constant for North Star. It is about doing more with resources so that corporate objectives are achieved. By optimising VFM throughout the organisation, additional resources are released and invested in services for customers, asset management and the supply of new homes.

Delivering VFM is part of an integrated and embedded approach, rather than something that is separate or an annual task that must be completed. It is a critical business tool and is not just about reducing costs".

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

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

VFM Activity During 2022/23

Overall financial performance of North Star

£'000	2019	2020	2021	2022	2023
	Actual	Actual	Actual	Actual	Actual
Revenue	19,861	20,381	20,740	21,327	22,381
Operating expenditure	(14,200)	(14,840)	(14,605)	(15,241)	(17,286)
Operating surplus	5,661	5,541	6,135	6,086	5,095
Operating margin (%)*	28.5%	27.2%	29.6%	28.6%	22.8%
FA surplus	183	172	50	32	115
Net interest	(3,056)	(3,004)	(2,554)	(2,658)	(2,656)
Net surplus	2,788	2,709	3,631	3,460	2,554
Net margin (%)	14.0%	13.3%	17.5%	16.2%	11.4%

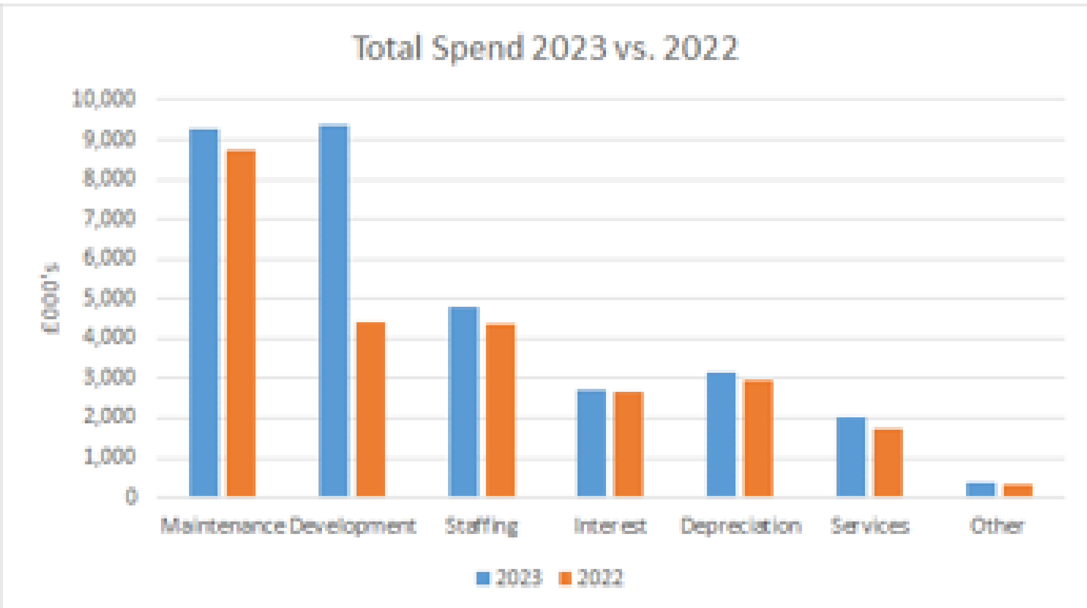
* RSH Technical Guidance Note Definition

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

Our operating margin has averaged just above 28% over the last four financial years. During 2022/23 we have seen increases within our operating costs as we look to meet the repair and investment needs of our properties. The condition of social housing properties has been subject to media attention over the last 12 months acting to increase demand on our repairs service to deal with issues such as damp, mould and condensation. Furthermore, significant increases in our insurance premiums have all contributed to a reduction of our operating margin in 2022/23 to 22.8%. Despite the reduction, we continue to outperform the 2021/22 margin of our peer group which averaged at 21%. More detail on our operating margin performance and comparison to the wider sector are shared in pages 20 to 23 of this report.

In December 2021, Board approved a 4.1% rent increase to take effect from 1st April 2022. In 2022/23 inflation peaked at 11.1% in October and remained above 10% for the remainder of the financial year. This has impacted our cost base during the year, from which we have seen costs increasing at a faster rate than our income. This has affected revenue and capital costs.

Total Spend Comparison - 2022/23 vs 2021/22



The most significant changes between 2022 and 2023 are:

- An increase in overall spend of £6.5m, most of which (£4.9m) is attributable to a growth in spend on the development of new units. In 2022 we delivered 39 units and spent £4.4m; whereas in 2023 we delivered 71 new units incurring costs of £11.7m. The increase in cost is reflective of a 2022/23 VFM objective to 'develop and grow by at least 75 new units'.

- An overall increased investment in maintenance costs of £520k, most of which is attributable to the routine maintenance of our properties. This increase in cost has been caused by several factors.

    - We appointed a new property maintenance contractor having reached the end of an agreement with the previous incumbent, which resulted in an increase in the rates.

    - We completed more than 1,000 additional repairs between September 2022 and January 2023. We know that many of our peers saw a similar increase in repair volumes.

    - We have spent an additional £135k to address issues of damp, mould and condensation in our properties and also spent an additional £83k on fire risk assessment remedial works.

Performance against Targets

The actions and targets were set in the annual corporate plan for 2022/23 and the annual VFM report shared with Board in July 2022.

There were a total of 32 actions and more detail on these actions can be viewed in the VFM report here:

- 19 actions have been completed
- 8 actions were partially completed or completed after 31 March 2023
- 5 actions were not completed - two related to financing which were not progressed due to market conditions and details of the remaining three are below:

VFM Theme	Action	Target	2022/23 Outcome
Enable Growth	Engage with Local Authority/ Health partners in Tees Valley and County Durham to develop a plan to increase new supported housing	Access the £300m funding available 2022-25	The £300m identified by Government as part of the Social Care White Paper to provide new supported accommodation was scrapped as part of the budget.
Active Asset Management	Through targeted investment, increase the energy performance of properties to EPC level C	189 properties to EPC C by Q4	133 properties were upgraded to EPC level C. Challenges procuring contractors and grant eligibility criteria led to us falling short of our target. Works carried forward into 2023/24.
Efficiency & Maximise income	Deliver savings target set in the 2022/23 budget	Savings of at least £247k; void loss 1.35% and bad debt 1.04%	Void loss at the end of the year was 1.53% with bad debt at 0.7%. Void loss performance for general needs was in line with the target but there have been some issues with supported housing lettings during the year. Supported housing void loss was 3.7% compared to a target of 2.75% and more details about this are set out in section 3.7 below.

Savings, Reinvestment & Efficiencies

2022/23 Savings Delivered

The delivery of £246k savings was set out in the 2022/23 budget approved by Board. There were savings of £168k made during the year with £95k from vacant roles and £73k from procurement savings. Our ability to secure cost savings during the year has been restricted by the significant shift in the UK economy over the last 12 months.

2022/23 Reinvestment Activities

Delivering savings has proved challenging as outlined above, and subsequently the opportunity to reinvest those savings has been limited. During the year the main reinvestment was in fire door remedial works (£33k) and periodic electrical inspections (£66k) as we endeavour to prioritise tenant safety.

Where we have generated savings, they have been used to mitigate some of the impact of the cost increases rather than invested in new unbudgeted activity.

2022/23 Efficiencies

These are improvements or changes which may not directly impact or reduce costs but do help with resources as follows:

- Continued migration to and use of Sharepoint functionality as we identify and embrace more collaborative ways of working.
- Ongoing service reviews within our Supported Housing and Property Services Teams. The reviews are expected to improve the way in which we deliver services to customers driving effectiveness in the business.
- In line with our Treasury Management Policy, we invested surplus cash in both fixed-term and instant access deposit accounts. The interest received helped mitigate some of the 'cost to carry' on our existing loans.
- The introduction of new functionality such as the Chatbot feature, the automated storing of property compliance records and the remote monitoring of water safety systems, have acted to free-up resource within our Customer Service and Asset Management teams.
- A continued reduction in tenancy turnover of 1.3% on the previous financial year generates additional capacity.

Outcomes and Effectiveness

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.

Teesside has the second greatest poverty rate in Britain exacerbated by the pandemic, 69% of children in some parts of Middlesbrough live in poverty. The impact of the cost-of-living crisis, is already being felt acutely in the communities we work in.

In this context it is a key strategic choice to invest in our communities, working with people to address community challenges and improve the quality of their lives. In 2022/23 North Star invested £396k.

North Star's investment generates social value which is measured, calculated and reported annually using a treasury approved method of calculation combining qualitative and quantitative outcomes.As a result of the investment North Star has delivered approximately £4.8m of social value across our business.This figure is made up of:

- £3.5m generated through community investment projects targeting food poverty relief, tackling the cost-of-living crisis and addressing loneliness.
- £280k generated by tenant connection activity reviewing of policies, procedures and performance of North Star.
- £750k generated in health and wellbeing outcomes through planned maintenance work improving the quality of homes we own.
- £300k generated through successful moves of people from supported housing to independent tenancies.

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 which is externally validated every two years – this was last shared with Board in March 2023, with consultants confirming high levels (92%) of data accuracy with our approach to internal stock surveys. 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 2022/23 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 976 homes benefited from investment work during the year with customer satisfaction at 93%. Active asset management and planned investment is not only vital to ensuring homes meet customer expectations and meet the Decent Home Standard, but it is also known to reduce the need for responsive repairs.

We are committed to the long-term aim of decarbonising our stock and meeting the Governments targets of getting our properties to EPC Level C by 2030. During the year we have continued to invest in the decarbonisation of our stock with 133 properties upgraded to EPC level C, including 46 properties receiving funding from the Governments Social Housing Decarbonisation Fund (SHDF). Also, during the year, we increased the number of low carbon heating systems through the installation of Air Source Heat Pumps to replace existing solid fuel or outdated storage heating systems in 25 homes in the Teesdale area.

We are in the process of reviewing and updating our return on asset financial model and will be sharing outputs with the Board in December 2023.

Customers

We capture customer satisfaction in two ways, through a periodic survey focusing on customer's perception of North Star and secondly through transactional surveys following customers interactions with services. Satisfaction is also used to benchmark North Star against other providers of social housing.

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.

In April 2021 ICS administered a customer perception survey on our behalf. The results of the survey were not published until May 2022 as a result of the global pandemic. It is pleasing to report North Star scored 83.6/100 overall, with this being the highest score amongst housing associations. Customers highlighted North Star strengths in the competence of staff, the range of communication channels and the ethics of the business. Complaints handling was identified as the primary area for improvement leading to an independent review being completed and the inclusion of a corporate objective for 2023/24.

Customer perception of North Star reported in May 2022 was strong, however subsequent transition of our repairs service in September 2022 has impacted satisfaction in a number of key areas resulting in targets being missed.

The Institute of Customer Service

Customer Satisfaction

% Customer Satisfaction	Target 2022/23	Outturn 2022/23	Benchmark Position
Planned investment work	95%	92%	Not available
New homes (new build)	95%	93%	Not available
Major adaptations work	95%	100%	Not available
Quality of the home	90%	84.7%	Median
Maintenance service	92%	85.6%	Median
ASB management	95%	100%	Upper
Complaint management	93%	59.6%	Median

We know how important the repairs service is for customers. During 2022 we appointed a new repairs contractor, Ian Williams following an internal review of the service and comprehensive procurement exercise. Ian Williams experienced difficulties with the implementation of the contract, primarily securing adequate staffing resource. This combined with an increased level of repairs reported during the year as experienced across the sector, led to repairs taking too long to complete, issues with missed appointments and poor communication; resulting in a drop in satisfaction with repairs. Action plans have been put in place with an intense management focus and oversight to drive performance improvement. This is on an upward trajectory with customer satisfaction upon repairs reaching 91% during the first quarter of 2023/24.

Customers surveyed from transactional surveys in 2022/23, reported 84% satisfaction with rent providing value for money. Communication relating to the rent increase in 2022/23 was enhanced with more in-person meetings and sharing of information given the pressures on household budgets. 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 remains below the target set for the year. The most common causes for complaint were dissatisfaction related to the length of time taken to complete repairs and poor communication during the repairs process. Overall satisfaction within the housing sector has reduced. HouseMark states generally satisfaction is between 7% and 8% lower than they were pre-pandemic.

Complaint handling requires significant improvement and is a corporate objective for 2023/24. An external review has been undertaken along with a review by the Tenants Voice Scrutiny Panel. Recommendations from both reviews will shape our approach to improve complaint handling.

All tenants (18) have been contacted about their dissatisfaction with the quality of their home and where practical we have addressed the issues.

Performance

Another measure of effectiveness is the KPI performance and the annual performance for 2022/23 is set out below:

Arrears	2020/21	2021/22	Target 2022/23	2022/23	HouseMark Quartile Position
Current arrears – General Needs & Older Persons (GN&OP)	2.50%	2.54%	2.5%	3.10%	Median
Current arrears – Supported	0.70%	0.77%	0.75%	0.71%	Not available
% rent lost through homes being empty (GN&OP)	1.02%	0.89%	1%	0.94%	Upper
% rent lost through homes being empty (Supported)	2.72%	2.94%	2.75%	3.70%	Not available
Tenancy turnover rate	10.2%	10.1%	9%	9%	Lower
Average number of repairs per property	3.8	3.9	3.4	4.0	Not available
% of appointments kept	96%	93%	96%	96%	Lower
% of gas services completed before expiry date at quarter end	100%	99.8%	100%	99.74%	Lower
% of time lost to sickness	1.5%	2.45% 2.16%*	2%	2.03%	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:

- Rent arrears - the number of customers in receipt of Universal Credit (UC) increased by 7%. The transition to UC from Housing Benefit (HB) results in a 'five week wait' for the first payment to be made, building in arrears for many customers. The timing of payments to North Star also impacts this figure, with arrears dropping to 2.6% following payments in April 2023 for example. However, there remains a strong focus on rent collection and support provided by the Welfare Benefit Team. During 2022/23 the Welfare Benefit team supported 1,066 households, increasing their income by £602k with a £110k direct impact of additional rent to North Star. A significant 150% increase in demand for this service highlights the impact of the cost-of-living crisis on households.

- Tenancy turnover - we introduced a new Tenancy Support Officer position to support new tenants with start of their tenancy in 2022/23 and we are evaluating the impact of this post. The length of tenancy has increased and healthy performance reletting properties in general needs has been achieved.

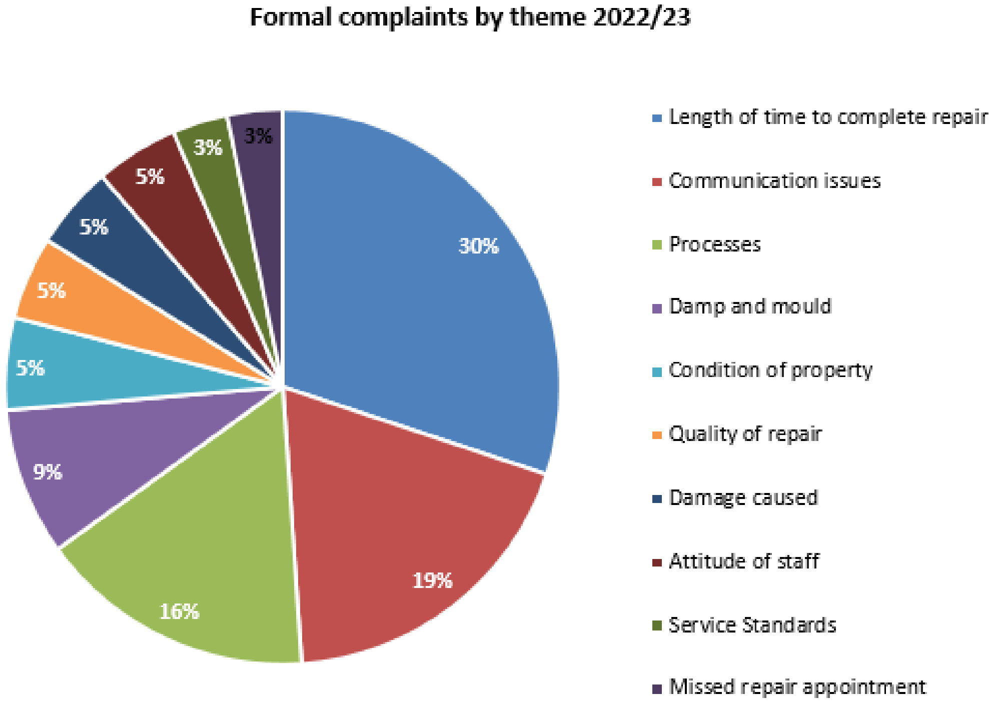
- Void loss (supported housing) - we have experienced challenges in letting some of our shared accommodation in supported housing. Factors impacting this include depleted local authority resources to support the referral process, increasingly challenging client behaviour impacting the appropriateness of shared accommodation and preference of clients for their own space. A corporate objective to review the viability of the shared living model has been adopted for 2023/24.

- Repairs per property - the increases in our repairs volumes is primarily attributed to electrical, roofing repairs, joinery work and damp repairs. As with many organisations we saw an increase in demand for repairs in the late months of 2022.

- Gas servicing - our performance on gas servicing was due to our inability to gain access, primarily due to self-isolation of tenants suffering from covid.

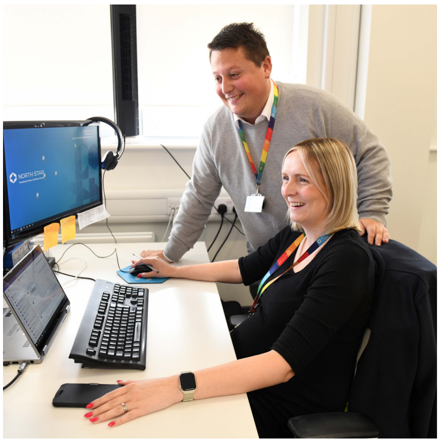
Complaints

In 2022/23 we received 186 complaints (2021/22: 120 complaints) and so have experienced a significant increase which mainly relates to the issues we experienced with our newly appointed contractor Ian Williams.



The majority of complaints were from tenants regarding the length of time to complete a repair and communication around when the repair will be resolved. This is directly linked to the issues outlined earlier in relation to the mobilisation of the new repairs contract and the impact on service delivery.






Financial Capacity

During 2022/23, North Star received an In-Depth assessment from the Regulator. A top regulatory judgement of G1/V1 was confirmed in March 2023 indicating we are a healthy, well governed organisation that 'has the financial capacity to deal with a wide range of adverse scenarios'. This next section sets out our approach to assessing and evidencing the use of this financial capacity:

Borrowings

As at the end of March 2022, the organisation had £101.4m of drawn debt to support investment in both new and existing properties. The level of debt drove a gearing calculation of 45.8%, which placed us in the second quartile when compared to our standard peer group. The peer median for the same period was 42.4% and indicates North Star is leveraging more debt from its available asset base to drive investment in our communities.

In 2022, our debt per unit calculation was £26k comparing to a peer average of £16k, thus indicating the organisation 'sweats' its assets more in comparison to peers.

The funding in place has supported the development of new units and this translates into strong performance on the RSH's VFM metric for percentage of new supply delivered. Our trend in recent years on this metric demonstrates an outperformance against the peer group for delivering new properties.

The outcomes of our 2020 refinancing project remain at the heart of increasing capacity within the business. Reduced interest, liquidity, refinancing and covenant risk for North Star has offered us the flexibility to deal with economic challenges and the investment needs of new and existing stock.

Debt Capacity

In 2023, we introduced debt capacity stress testing into our Business Planning process. This showed that there is more exposure to asset cover covenants than the interest cover covenant and demonstrated that the business plan was making good use of the available security, whilst also managing covenant risk. The Business plan approved by Board saw the percentage of unencumbered assets reach as low as 14.4%, thus meaning the level of investment profiled is in line with the risk appetite and golden rule parameters approved by Board.

Investment

The 2022 Business Plan captured a commitment to deliver 525 new units between 2024 and 2031, and to deliver an EPC rating of 'C' across all our properties by 2028. The financial strength of North Star has allowed for these investment commitments to continue in the 2023 business plan approved by Board. The investment allows us to meet housing need as well as supporting customers to alleviate the impact of fuel poverty.

Investment in delivering social value remains at the core of North Star. Our financial strength, as evidenced by our strong operating margin, allowed for us to spend £396k on Community Investment in 2022/23 with our work delivering a total of £4.8m of social value during the period.

Sustaining our financial resilience is a critical focus going forward as outlined in our Strategic Risk Register with the inclusion of a specific risk "Impact of external costs increases is detrimental to North Star", within which a series of risk controls are being operated. The stress testing of our April 2023 Business Plan evidenced we are able to withstand significant financial uncertainty.

North Star Trends and Comparison to other Housing Associations

Benchmarking

Benchmarking enables us to assess our costs and performance against our peers. There is a time lag to the publication of benchmarking data so the most up to date peer information is for the 2021/22 financial year. The current volatile economic environment with high inflation and rising interest rates means that there is limited value in comparing the 2022/23 performance with data for the 2021/22 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. We use the following tools to support benchmarking within the business:

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

RSH VFM Metrics

The table below shows the performance on the VFM metrics over the last three years and includes the North Star figures for 2022/23.

RSH metrics	2020	2021	2022	2023	2020	2021	2022
	NS	NS	NS	NS	Peer	Peer	Peer
1. Reinvestment %	5.0%	3.0%	3.5%	6.6%	7.5%	6.7%	7.1%
2. New supply delivered %	1.78%	1.75%	1.04%	1.78%	1.50%	1.37%	1.08%
3. Gearing %	43.0%	45.9%	45.8%	47.2%	40.0%	41.0%	42.4%
4. EBITDA MRI interest cover %	194%	65%	201%	169%	169%	158%	183%
5. HSCU	£3,550	£3,449	£3,930	£4,354	£3,732	£3,580	£3,908
6. Operating Margin %*	27.2%	30.0%	29.0%	22.9%	20%	21%	21%
7. ROCE	2.7%	2.9%	2.9%	2.3%	3.3%	3.4%	3.4%

* RSH Technical Note Guidance Definition

There is no peer group data available yet for 2022/23.

North Star Trend

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

- The reinvestment metric has increased in 2023 with higher spend on the development programme, which has seen us deliver an additional 39 units in comparison to prior financial year. During this period, we have also invested £2.8m to meet the component needs of our existing properties as determined by stock condition and energy performance data.
- Following a slowdown in 2021/22, the new supply delivered metric has returned to a level that is consistent with our target for new units.
- Cost inflation has had an impact across several metrics. During the year operating costs increased by £922k in comparison to the original budget. This has acted to depress operating margin and interest cover performance as well as increasing the headline social housing cost per unit (HSCU).

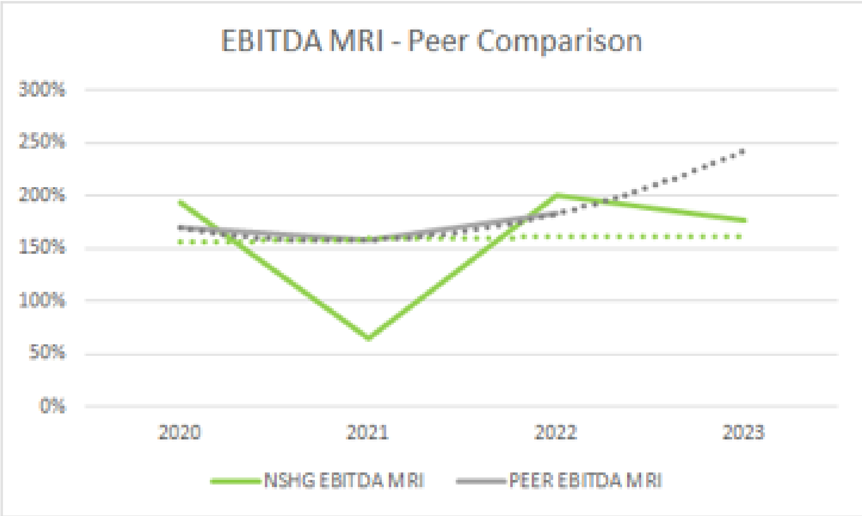
North Star v Peer Group Metrics

Data from our peers on their performance against the VFM metrics for 2022/23 is not yet available. To compare with others in the sector we have used our 2022/23 performance comparing with that of the trend from peers over the last three financial years. This makes absolute comparison difficult, as the full impact of the recent high inflation, higher interest environment is not yet visible on peer metrics.

Comparing recent data, there are two metrics where the trend demonstrates a negative movement from our peer group. The areas which are outlined further below, will continue to be an area of focus with updates provided when peer data for 2022/23 becomes available.

EBITDA MRI Interest Cover

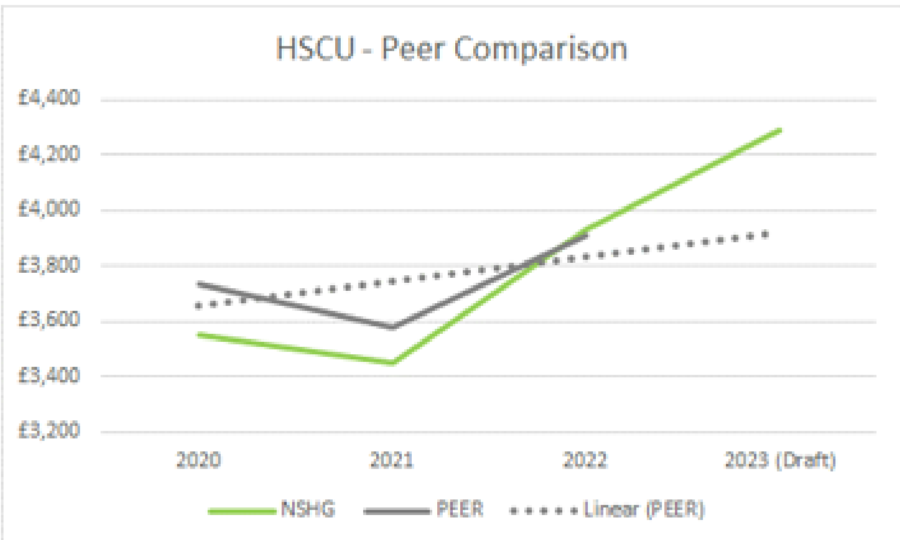
The EBITDA MRI interest cover was significantly reduced during 2021 as a result of the exit costs incurred following the refinancing project. During 2022 the metric recovered and was reflective of historic levels seen prior to group consolidation. Last financial year the metric has reduced whilst the trend of our peers indicates an increase in the headroom of this measure.



A reduction in operating surplus impacted by a high inflationary environment, is in part responsible for the reduction in this metric. Absolute comparisons with other providers can be difficult given the fluctuating level of capitalised repair costs forming part of the calculation. The level of capitalised repairs is informed by stock condition and energy performance information held on housing stock, which ultimately vary between different organisations as a result of their stock investment needs.

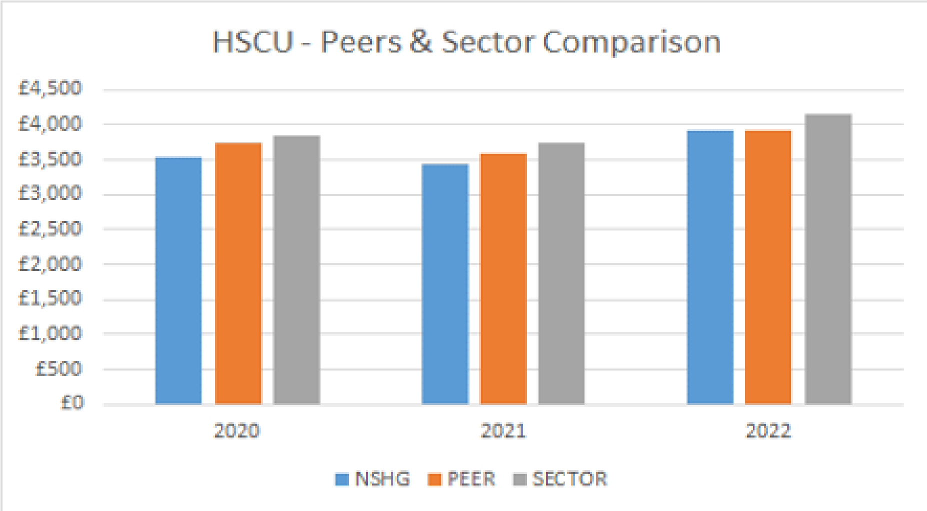
Headline Social Housing Cost (HSCU)

The HSCU is a measure of efficiency within the business. Whilst the trajectory of both our own and our peers HSCU is increasing, analysis of the trend as shown on the below graph indicates the metric for North Star may be rising faster than that of our peers. The impact of a high inflation, higher interest environment is not yet visible on our peers, and it will be important to revisit peer comparisons once the Financial Statements of other providers are published in September 2023.



HSCU % Change over three years (to 2021/22)

The North Star HSCU has increased by 11% over the last three years compared to an increase of 5% for our peers and 8% for the sector. Many organisations, including North Star, have had to increase spend on health and safety and decarbonisation in this period which will impact the maintenance and major repair CPUs.



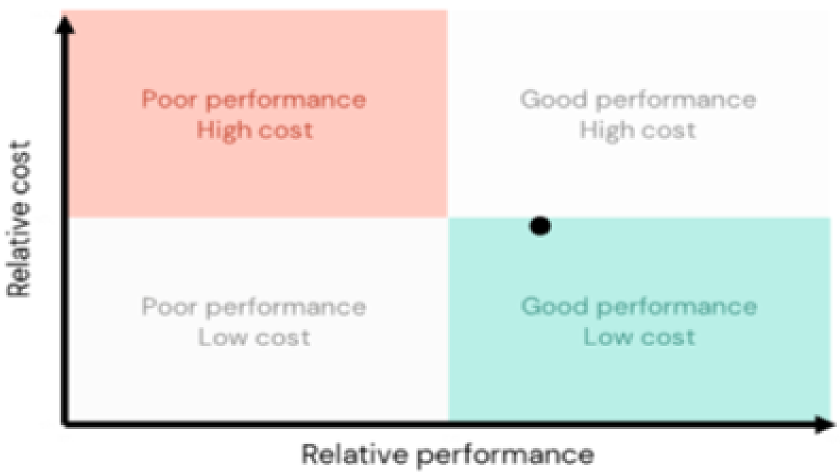
The high-level nature of the HSCU means that it is hard to drill down to investigate the variances and any further analysis would need organisations to share more detailed financial information. We intend to undertake further analysis upon the EBITDA MRI & HSCU measures during 2023/24, once peers have published their financial statements for last financial year.

HouseMark

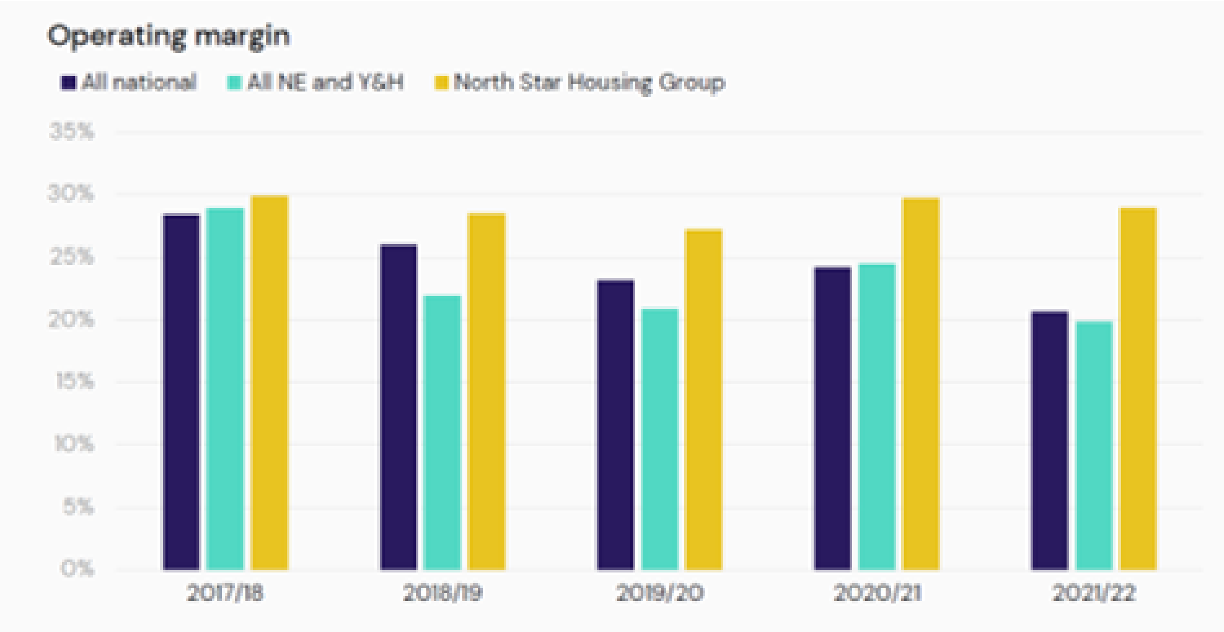
The level of analysis from HouseMark included in this report is brief. Over the last 12 months we have seen significant shifts in the economic environment impacting both inflation and interest rates. During this time frame we have also seen the expectations of our customers increasing, and similar to others in the sector experienced an increase in the number of complaints received. Both factors have altered the benchmark of cost and performance data that can be defined as ‘good’. Data from our peers is not yet available for 2022/23, with the analysis of performance provided in this section relating to 2021/22.

The peer group used in this analysis is made up of all participating organisations in the North East and Yorkshire & Humberside. This is the criteria of the peer group used by HouseMark in their Annual Performance Summary report for North Star. This has allowed for an increased sample size of 36.

HouseMark as a tool contains a significant amount of cost and performance data. The below graph distils the large volume of data into a succinct measure of our operational productivity. The position on the graph compares our average cost per property results with an average performance position. As indicated below, our performance typically betters our peers whilst achieving a comparable position on cost.



The next section highlights both areas of strength and underperformance within the organisation. Our operating margin continues to be an area of strength as demonstrated by the below graph. During 2021/22 we achieved an operating margin of 29.0% which was comfortably above that of our peers and the national sector average.



Our margin has decreased in 2022/23 to 22.9% predominately as a result of increases to property maintenance costs. This has been addressed in the 2023/24 budget approved by Board, where we have looked to protect and sustain an operating margin above 25%.

The data shared by HouseMark for 2021/22, also identified other areas of strong performance as outlined below;

- The average cost of our responsive repair and void works were £89 less per property than the peer median of £893.
- The average number of days taken to complete a repair was 8.5 versus a peer median of 12.1.
- First quartile performance was achieved in relation to rent loss on general needs properties.

The HouseMark data indicates a low volume, low-cost repairs service for 2021/22, however the events of 2022/23 as outlined elsewhere in this report are likely to have altered this position when comparing to peers.

We continue to benchmark less favourably with our peers in relation to several areas as outlined below;

- **Overheads as a percentage of turnover where the metric for North Star records overheads at 14.1% compared to a peer median of 12.4%.** Investment in ICT infrastructure and higher costs on a range of other professional fees have also acted to increase the level of overheads incurred in 2021/22.
- **Tenancy turnover continues to be at a rate higher than that of our peers. In 2021/22 tenancy turnover was recorded at 10.3% versus a peer median of 7.4%.** Tenancy turnover continues to be an area of focus for the organisation over recent years where we have seen a positive movement in trend in 2023 and the early months of 2023/24.

- **The number of formal complaints received per 1,000 properties in 2021/22 was recorded at 31.6 compared to a peer median of 21.** Increases in complaints and dissatisfaction are reported across the sector. HouseMark report a long-term reduction in satisfaction following the pandemic. Complaints remain an area of focus, two reviews have taken place by our Tenant Voice Scrutiny Panel and an independent consultant. A corporate objective to improve complaint handling is included in the 2023/24 VFM targets.

2023/24 and Beyond

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

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

We were conscious of the increases in operating costs and the impact this could have on our operating margin. Therefore, a key focus of our 2023/24 budget was to maintain this margin. This granular focus upon all areas of cost generated savings of £484k as outlined the 2023/24 budget and resulted in a budget with an operating margin of 25.6%.

2023/24 Value for Money Targets and Objectives

Our Corporate Plan captures VFM objectives for 2023/24. The objectives can be viewed here and were approved by Board in March 2023. We will continue to drive our approach on VFM within the business and review our Strategy in 2023/24. We fully expect additional VFM objectives to emerge during the year as we respond to the needs of our customers faced by a dynamic external environment.

Internal Controls Assurance

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

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

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

The process for identifying, evaluating and managing the significant risks faced by the Organisation is ongoing and has been in place throughout the period commencing 1st April 2022 up to the date of approval of the Report and Financial Statements.

Key elements of the control framework include:

- Assessing compliance with the Regulator of Social Housing Regulatory Standards. Detailed self-assessments against all RSH standards were shared with Board at the June 2022 meeting.
- Adoption of and compliance with the National Housing Federation 2020 Code of Governance - Promoting Board Excellence in Housing Associations
- Compliance with the Regulatory Standard on Governance and Financial Viability as evidenced by our G1/V1 rating in March 2023.

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- 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 2022.
- 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 2022 which includes the 'three lines of defence' assurance model for all risk registers.
- A refreshed Board Risk Appetite Statement which was approved in December 2022.
- 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 2022/23 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 2022 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 2022 state that:

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

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

Risk Management Responsibilities

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

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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 2022/23

This section captures the key risk management activity in 2022/23:

- Updating the Risk Management Framework and the Board Risk Appetite Statement with support from an external consultant

- Introducing a new 5x5 risk map template, setting target risk scores for risk and reviewing the risk reporting to RAC and Board

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.

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 2022/23 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 2023.

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.

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 18th September 2023.

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

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

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

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

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

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

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

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

Approval
This Report was approved by the Board on 18th September 2023 and signed on its behalf by:

A Urbanowicz
Chair

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

Opinion

We have audited the financial statements of North Star Housing Group (the 'Association') for the year ended 31st March 2023 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 2023 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for Opinion

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

Conclusions Relating to Going Concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on Which we are Required to Report by Exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities in respect of the Board's annual report and the financial statements set out on Page 28, 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 2022, tax legislation, health and safety legislation, and employment legislation.

- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.

- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities.

- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.

- We enquired of the Board about actual and potential litigation and claims.

- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.

- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

Use of our Report

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

Beever and Struthers

Beever and Struthers
Statutory Auditor
One Express
1 George Leigh Street
Manchester
M4 5DL

Date: 26th September 2023

Association Statement of Comprehensive Income
for the year ended 31st March 2023

	Note	**Year ended 31st March 2023 £000**	Year ended 31st March 2022 £000
Turnover	*3*	**22,381**	21,327
Operating expenditure	*3*	**(17,254)**	(15,209)
Operating surplus subtotal	*3*	**5,127**	6,118
Surplus on disposal of fixed assets	*7*	**115**	32
Operating surplus		**5,242**	6,150
Amortisation of intangible assets & goodwill	*16*	**(32)**	(32)
Interest receivable and similar income	*8*	**25**	4
Interest payable and financing costs	*8*	**(2,681)**	(2,662)
Surplus for the year before taxation		**2,554**	3,460
Tax on surplus on ordinary activities	*13*	**-**	-
Surplus for the year after taxation		**2,554**	3,460
Other comprehensive (expense)/income			
Actuarial gain/(loss) in respect of pension scheme	*12*	**(330)**	497
Total comprehensive income for the year		**2,224**	3,957

All results derive from continuing activities.

The Financial Statements, on pages 32 to 62. were approved by the Board and authorised for issue, on 18th September 2023 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 36 to 62 form part of these financial statements.

Association Statement of Financial Position
at 31st March 2023

	Note	At 31st March 2023 £000	At 31st March 2022 £000
Fixed assets			
Housing properties	*14*	**220,916**	209,575
Other tangible assets	*15*	**1,245**	1,293
Intangible assets	*16*	**100**	132
Total fixed assets		**222,261**	211,000
Current assets			
Investments	*17*	**30**	30
Debtors (including £260k *(2022 £248k)* due after more than one year)	*18*	**2,880**	2,002
Cash and cash equivalents		**7,055**	5,342
		9,965	7,374
Creditors: amounts falling due within one year	*19*	**(5,181)**	(5,073)
Net current assets		**4,784**	2,301
Total assets less current liabilities		**227,045**	213,301
Creditors: amounts falling due after more than one year	*20*	**(190,748)**	(179,175)
Provisions for liabilities and charges			
Pensions	*12*	**(1,783)**	(1,801)
Other provisions	*24*	**(90)**	(125)
Total net assets		**34,424**	32,200
Capital and reserves			
Non-equity share capital	*25*	**-**	-
Restricted reserves		**566**	469
Revenue reserves		**35,641**	33,532
Pension reserves		**(1,783)**	(1,801)
		34,424	32,200

The Financial Statements, pages 32 to 62, were approved by the Board and authorised for issue, on 18th September 2023 signed on its behalf by:

A Urbanowicz

A Urbanowicz
(Chair of Board)

J Ridley
(Chair of Risk and Audit Committee)

J Walder

J Walder
(Secretary)

The Notes on Pages 36 to 62 form part of these financial statements.

Association Statement of Cash Flows
for the year ended 31st March 2023

	Year ended 31st March 2023 £000	Year ended 31st March 2022 £000
Cash flows from operating activities		
Surplus for year	**2,554**	3,460
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**3,350**	3,112
Amortisation of intangible fixed assets	**32**	32
Amortisation of Government grant	**(945)**	(942)
(Increase)/decrease in trade and other debtors	**(4)**	205
Increase/(decrease) in trade and other creditors	**103**	(401)
(Decrease) in provisions	**(35)**	(9)
Pension costs less contributions payable	**(393)**	(350)
Surplus on sale of tangible fixed assets	**(115)**	(32)
Transfer to current assets	**88**	
Write-off of tangible fixed assets	**-**	3
Government grants utilised in the year	**-**	77
Adjustments for financing activities:		
Interest and financing costs	**2,681**	2,662
Interest receivable	**(25)**	(4)
Net cash from operating activities	**7,291**	7,813
Cash flows from investing activities		
Purchase of tangible fixed assets	**(14,675)**	(7,408)
Proceeds from sale of tangible fixed assets	**166**	196
Grants received	**1,677**	330
Interest received	**25**	4
Net cash used in investing activities	**(12,807)**	(6,878)
Cash flows from financing activities		
Interest paid	**(2,743)**	(2,648)
New secured loans	**10,000**	-
Repayments of borrowings	**(16)**	(12)
Net decrease in other loans	**(12)**	(3)
Net cash from/(used in) financing activities	**7,229**	(2,663)
Net increase/(decrease) in cash and cash equivalents	**1,713**	(1,728)
Cash and cash equivalents at 1st April	**5,342**	7,070
Cash and cash equivalents at 31st March	**7,055**	5,342

The Notes on Pages 36 to 62 form part of these financial statements

Association Statement of Changes in Reserves

for the year ended 31st March 2023

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

Notes

1. Legal Status

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

2. Accounting Policies

Basis of Accounting

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

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

Going Concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted in the business plan updated for 2023/24 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.

Development Expenditure

The Association capitalises development expenditure in accordance with the accounting policy described on Page 38. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

2. Accounting Policies (Continued)

Impairment

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

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

Following a trigger for impairment, the Association performs impairment tests based on fair value less costs to sell or a value in use calculation. During 2022/23 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 2023 was £222,261k.

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 for the specific sector. Future salary increases are based on expected future inflation rates for the respective sector. Further details are given in note 12.

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

Assumption	Change in Assumption	Pension Provision Impact – (Increase)/Decrease
Discount Rate	+ 0.1% p.a	£132k
Inflation Rate	+0.1% p.a	(£110k)
Salary Growth	+0.1% p.a	(£2k)

2. Accounting Policies (Continued)

Housing Properties

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

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

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

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

These useful economic lives are as follows:

Component	Useful Economic Life (Years)
Structure	100
Roof	60
Windows & Doors (incl. Fire Doors)	30
Kitchen	20
Bathroom	30
Boiler	15
Electrics	30
Heating	30
Flooring (No Service Chargeable)	20
Communal Furniture	3-10
Air Source Heat Pumps	15
Cladding	25
Insulation (Cavity Wall & Loft)	25-35
External Wall Insulation	30-40
Damp Works	20
Service chargeable Communal replacements	3-30
Garage Additions	20

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 useful economic life (UEL) experience for energy efficiency components; where currently a range in UEL has been offered pending more detailed data on lifecycle becoming available. The Association will continue to monitor and review the useful economic lives of all components and make revisions where sustained material changes arise.

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.

2. Accounting Policies (Continued)

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

Short Term Debtors & Creditors

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

2. Accounting Policies (Continued)

Categorisation of Loans

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

Social Housing and Other Government Grants

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

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

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

Recycling of Capital Grant

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

Restricted Reserves

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

Turnover & Revenue Recognition

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

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

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

Service Charges

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

2. Accounting Policies (Continued)

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

Supported Housing Schemes Managed by Agents

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

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

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

Taxation

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

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

VAT

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

Leased Assets

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

Holiday Pay Accrual

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

Right to Buy Sales

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

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

2. Accounting Policies (Continued)

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

Pension Costs

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

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

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

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

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

3. Turnover, Operating Expenditure and Operating Surplus

	2023			2022		
	Turnover £000	Operating Expend. £000	Operating Surplus £000	Turnover £000	Operating Expend. £000	Operating Surplus £000
Social housing lettings	21,934	(17,166)	4,768	21,012	(15,209)	5,803
Other social housing activities						
First tranche low-cost home ownership sales	88	(88)	-	-	-	-
Charges for support services	322	-	322	265	-	265
Other	15	-	15	29	-	29
	425	(88)	337	294	-	294
Activities other than social housing						
Other	22	-	22	21	-	21
Total	22,381	(17,254)	5,127	21,327	(15,209)	6,118

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

	General Housing	Supported Housing (including housing for older people)	LCHO	Other Housing	Total 2023	Total 2022
	£000	£000	£000	£000	£000	£000
Turnover from social housing lettings						
Rent receivable net of identifiable service charges	15,317	2,394	22	132	17,865	17,000
Service charge income	178	2,166	13	-	2,357	2,288
Charges for support services	-	26	-	-	26	26
Net rental income	15,495	4,586	35	132	20,248	19,314
Amortised Government Grants	670	273	2	-	945	942
Other income from lettings	2	730	-	1	733	749
Other grants	8	-	-	-	8	7
Turnover from social housing lettings	16,175	5,589	37	133	21,934	21,012
Expenditure on social housing lettings						
Management	2,720	2,041	-	50	4,811	4,349
Service charge costs	503	1,485	-	18	2,006	1,722
Routine maintenance	2,851	835	3	55	3,744	3,111
Planned maintenance	1,135	597	1	6	1,739	1,588
Major repairs expenditure	1,152	138	4	-	1,294	1,187
Bad debts	127	14	1	3	145	68
Lease Costs	18	184	-	61	263	229
Depreciation of housing properties	2,626	525	13	-	3,164	2,955
Operating expenditure on social housing lettings	11,132	5,819	22	193	17,166	15,209
Operating surplus/(deficit) on social housing lettings	5,043	(230)	15	(60)	4,768	5,803
Void losses	(134)	(159)	-	(21)	(314)	(256)

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 2023 Owned	No. of Properties 2023 Managed	No. of Properties 2022 Owned	No. of Properties 2022 Managed
SOCIAL HOUSING				
Under Development at Year End				
General Needs Housing Affordable Rent	**130**	**-**	114	-
Supported Housing at Affordable Rent	**6**	**-**	8	-
	136	**-**	122	-
Under Management at Year End				
General Needs Housing Social Rent	**2,227**	**26**	2,228	65
General Needs Housing Affordable Rent	**961**	**1**	893	1
Supported Housing	**275**	**-**	274	-
Housing for Older People	**193**	**-**	193	-
Intermediate Rent	**10**	**-**	16	-
Low Cost Home Ownership	**16**	**-**	28	-
	3,682	**27**	3,632	66

Summary Owned and/or Managed	2022 No	Additions No	Disposals No	Movements No	2023 No
General Needs Housing at Social Rent	**2,293**	-	(43)	3	**2,253**
General Needs Housing at Affordable Rent	**894**	60	-	8	**962**
Supported Housing at Social Rent	**406**	8	(1)	(6)	**407**
Housing for Older People at Social Rent	**193**	-	-	-	**193**
Intermediate Rent	**16**	-	-	(6)	**10**
Low-Cost Home Ownership	**28**	-	-	1	**29**
	3,830	68	(44)	-	**3,854**

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 3 (2022: nil) general needs affordable rent units which had reached practical completion but had not been handed over to housing management by 31 March 2023.

The Association owns a further 145 (2022: 145) supported housing units and registered care homes as set out in Note 5 that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

5. Accommodation Managed by Others

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

	2023	2022
SOCIAL HOUSING		
Under Management at Year End		
Supported Housing	129	129
Registered Care Homes	3	3
Low costs Home Ownership	13	13
	145	145

6. Operating Surplus

This is arrived at after charging/(crediting):

	2023	2022
	£000	£000
External Auditor's remuneration in their capacity as auditors (excluding VAT)	**34**	31
Depreciation of housing properties	**3,164**	2,955
Depreciation of other tangible fixed assets	**186**	157
Surplus on sale of Fixed assets	**(115)**	(32)
Operating lease rentals (Land and Buildings)	**263**	229
Amortised government grants	**(945)**	(942)

7. Surplus on Disposal of Fixed Assets

	2023	2022
	£000	£000
Disposal proceeds	**210**	216
Carrying value of fixed assets and costs of disposal	**(55)**	(87)
Retained by Durham County Council	**(40)**	(20)
Capital Grant Recycled	-	(77)
	115	32

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

8. Net Interest

Interest Receivable and Similar Income

	2023	2022
	£000	£000
Interest Receivable and Similar Income	**5**	4
Interest Receivable from short term deposits	**20**	-
	25	4

8. Net Interest (*continued*)

Interest Payable and Financing Costs

	2023 **£000**	2022 £000
On Loans wholly or partly repayable in more than 5 years	**2,724**	2,630
Amortisation of loan fees	**18**	18
Other interest expense on SHPS (pension scheme Note 12)	**45**	53
Other interest payable	**1**	-
	2,788	2,701
Less interest capitalised on Housing Properties under construction (Note 14)	**(107)**	(39)
	2,681	**2,662**

9. Payments to Members of the Board

The members of the Board received the following emoluments:

	2023 **£000**	2022 £000
Relating to North Star Housing Group Board membership	**55**	51
	55	51

	2023 **£**	2022 £
Peter Waugh	-	10,273
Paul Craggs	-	3,273
Anna Urbanowicz	**10,695**	6,388
David Lyall	**4,517**	4,364
Jason Ridley	**6,131**	5,533
Claire Warren	**6,612**	4,364
Mark Thompson	**4,517**	4,364
Graeme Allinson	**4,517**	4,364
Simon Wake	**4,517**	2,909
David Walker	**4,517**	2,909
Nicki Clarke	**4,517**	1,091
Joanne Todd	**4,517**	1,091
	55,057	50,923

Expenses reimbursed to members of the Association's Board were £1,786 *(2022: £804)*.

10. Directors' Emoluments

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

	2023				2022
	Basic salary	**National Insurance contributions**	**Pension contributions**	**Total**	Total
	£000	**£000**	**£000**	**£000**	£000
Chief Executive Officer	**128**	**17**	**25**	**170**	166

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 £25k (*2022: £8k*).

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

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

	2023				2022
	Basic Salary	**National Insurance contributions**	**Pension contributions**	**Total**	Total
	£000	**£000**	**£000**	**£000**	£000
Executive Director of Finance & Business Support and Company Secretary	**112**	**15**	**11**	**138**	130
Executive Director of Customers	**98**	**12**	**6**	**116**	110
Executive Director of Assets & Growth	**108**	**14**	**12**	**134**	129
Executive Director of People & Culture	**93**	**12**	**9**	**114**	110
Aggregate emoluments of Executive Directors	**411**	**53**	**38**	**502**	479
Aggregate emoluments of Executive Directors including Chief Executive & Board Members (Key Management Personnel)	**594**	**70**	**63**	**727**	696

11. Employees

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

	2023 Number	2022 Number
Office Staff	**85**	81
Wardens, Caretakers and Cleaners	**2**	2
	87	83

	2023 £000	2022 £000
Wages and salaries	**3,624**	3,442
Social security costs	**394**	339
Pension costs: Social Housing Pension Scheme	**241**	155
	4,259	3,936

At 31 March 2023 £1k (2022 nil) was outstanding in respect of unpaid pension contributions.

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

	2023 No.	2022 No.
£60,001 - £70,000	**6**	5
£70,001 - £80,000	**2**	2
£80,001 - £90,000	**-**	-
£90,001 - £100,000	**-**	2
£100,001 - £110,000	**2**	-
£110,001 - £120,000	**-**	2
£120,001 - £130,000	**2**	-
£130,001 - £140,000	**-**	-
£150,001 - £160,000	**1**	1

The ratio of the highest paid to lowest paid full-time equivalent employees in the Association is 7:1 (2022: 7:1).

Loans totalling £70.8k have been made to employees in the year (2022: £48.4k). All loans are at a fixed rate of interest with the term of the loans not exceeding 5 years.

12. Pension Obligations

The Social Housing Pension Scheme (SHPS)

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

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.

12. Pension Obligations (continued)

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

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

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

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for the accounting year-ends from the following 31 March 2023 to 29 February 2024 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 2023	31st March 2022
	%	%
Discount Rate	**4.87**	2.79
RPI Inflation	**3.19**	3.59
CPI Inflation	**2.75**	3.20
Salary Increases	**3.75**	4.20
Allowance for Commutation of Pension for cash at retirement (% of max. allowance)	**75.00**	75.00

12. Pension Obligations *(continued)*

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

	Asset Split at 31st March 2023 £000	Asset Split at 31st March 2022 £000
Global Equities	**148**	2,301
Absolute Return	**86**	481
Distressed Opportunities	**240**	429
Credit Relative Value	**299**	398
Alternative Risk Premia	**15**	395
Emerging Markets Debt	**43**	349
Risk Sharing	**584**	395
Insurance -Securities	**200**	280
Property	**341**	324
Infrastructure	**906**	854
Private Debt	**353**	307
Opportunistic Illiquid credit	**339**	403
High Yield	**28**	103
Credit Opportunities	**1**	43
Cash	**57**	41
Corporate Bonds	**-**	800
Long Lease Property	**239**	308
Secured Income	**364**	447
Liability Driven Investments	**3,653**	3,345
Currency Hedging	**15**	(47)
Net Current Assets	**20**	33
Total Assets	**7,931**	11,989

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies

	Life expectancy at age 65 (Years)	Life expectancy at age 65 (Years)
Male retiring in 2023 (2022)	**21.0**	21.1
Female retiring in 2023 (2022)	**23.4**	23.7
Male retiring in 2043 (2042)	**22.2**	22.4
Female retiring in 2043 (2042)	**24.9**	25.2

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

	Value at 31st March 2023 £000	Value at 31st March 2022 £000
Fair value of plan assets	**7,931**	11,989
Present value of defined benefits obligation	**(9,714)**	(13,790)
Net (deficit)	**(1,783)**	(1,801)

12. Pension Obligations *(continued)*

	Value at 31st March 2023 £000	Value at 31st March 2022 £000
Defined benefit obligation at 1st April	**13,790**	14,478
Expenses	**8**	10
Interest expense	**380**	310
Actuarial (gain)/loss due to scheme experience	**(115)**	586
Actuarial (gain) due to changes in demographic assumptions	**(23)**	(223)
Actuarial (gain) due to changes in financial assumption	**(3,996)**	(981)
Benefits paid and expenses	**(330)**	(390)
Defined benefits obligation at 31st March	**9,714**	13,790

	Value at 31st March 2023 £000	Value at 31st March 2022 £000
Fair value of plan assets at 1st April	**11,989**	11,883
Interest income	**335**	257
Experience on plan assets (excluding amounts included in interest income – (loss)	**(4,464)**	(121)
Employer contributions	**401**	360
Benefits paid and expenses	**(330)**	(390)
Fair value of plan assets at 31st March	**7,931**	11,989

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2022 to 31 March 2023 was (£4,129,000) (2022: £136,000).

Analysis of amounts charged to Statement of Comprehensive Income

	2023 £000	2022 £000
Expenses	**8**	10

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

	2023 £000	2022 £000
Expected return on Scheme assets	**335**	257
Interest on Scheme liabilities	**(380)**	(310)
	(45)	(53)

12. Pension Obligations *(continued)*

Defined benefit cost recognition Other Comprehensive Income (OCI)

	Value at 31st March 2023 £000	Value at 31st March 2022 £000
Experience on plan assets (excluding amounts included in interest income – (loss)	**(4,464)**	(121)
Experience of gains and losses arising on the plan liabilities- gain/(loss)	**115**	(586)
Effects of changes in the demographic assumptions underlying the present values of the defined benefits obligations – gain	**23**	223
Effects of the changes in the financial assumptions underlying the present value of the defined benefits obligations- gain	**3,996**	981
Total amount recognised in the Other Comprehensive Income – (loss)/gain	**(330)**	497

Analysis of amounts recognised in the Statement of Comprehensive Income

	2023 £000	2022 £000
Actuarial (loss)/gain	**(330)**	497

<u>The Social Housing Pension Scheme (SHPS) Growth Plan</u>

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

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

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

12. Pension Obligations *(continued)*

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

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

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

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

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

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

Reconciliation of opening and closing provision

	2023 £000	2022 £000
Provision at 1st April	**(5)**	(25)
Unwinding of the discount factor (interest expense)	-	-
Deficit contribution paid	**2**	6
Remeasurement-impact of any changes in assumptions	-	-
Remeasurement-amendments to the contributions schedule	-	14
Provision at 31st March	**(3)**	(5)
Amounts falling due within one year	2	2
Amounts falling due after more than one year	1	3
	3	5

Income and expenditure impact

	2023 £000	2022 £000
Interest expense	-	-
Remeasurement – impact of any change in assumptions	-	-
Remeasurement – amendments to the contributions schedule	-	(14)
	-	(14)

12. Pension Obligations *(continued)*

Assumptions

	2023 % per annum	2022 % per annum
Rate of discount	**5.52**	2.35

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

	2023 £	2022 £
Year 1	**1,721**	1,721
Year 2	**1,434**	1,721
Year 3	**-**	1,434

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

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing, and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

13. Tax on Surplus on Ordinary Activities

	2023 £000	2022 £000
Total Tax Charge in the Statement of Comprehensive Income	**-**	-
Current tax reconciliation		
Surplus on ordinary activities before taxation	**2,554**	3,460
Theoretical tax at UK corporation rate 19% *(2022: 19%)*	**(485)**	(657)
Effects of:		
Charitable income not taxable	**485**	657
	-	-

14. Tangible Fixed Assets – Housing Properties

	Completed properties For rent £000	Completed properties *LCHO £000	Under construction For rent £000	Total £000
Cost				
At 1st April 2022	238,823	1,043	1,318	241,184
Development of New Properties	42	-	11,661	11,703
Works to Existing Properties	2,834	-	-	2,834
Interest Capitalised	-	-	107	107
Disposals	(452)	-	-	(452)
Transfer to Shared Ownership Current Asset		(108)		(108)
Schemes Completed	9,024	-	(9,024)	-
At 31st March 2023	250,271	935	4,062	255,268
Depreciation				
At 1st April 2022	31,274	144	-	31,418
Charge for year	3,152	12	-	3,164
Disposals	(401)	-	-	(401)
Transfer to current assets		(20)		(20)
At 31st March 2023	34,025	136	-	34,161
Impairment				
At 1st April 2022 and 31st March 2023	191	-	-	191
Net book value				
At 31st March 2023	**216,055**	**799**	**4,062**	**220,916**
At 31st March 2022	207,358	899	1,318	209,575

*Low Cost Home Ownership

	2023 £000	2022 £000
Housing properties cost comprises:		
Freehold	**244,256**	230,361
Long leasehold	**11,012**	10,823
	255,268	241,184

	2023 £000	2022 £000
Expenditure on works to housing properties:		
Amount capitalised	**2,834**	2,867
Amount charged to Income and Expenditure account	**1,294**	1,187
	4,128	4,054

Long Leasehold and Freehold land and buildings with a carrying amount of £159,441k (2022 : £159,849k) have been pledged to secure borrowings of the Association.

15. Tangible Fixed Assets – Other

	Freehold office premises £000	Office furniture fittings and equipment £000	Computer equipment £000	Total £000
Cost				
At 1st April 2022	1,978	280	594	2,852
Additions	-	5	133	138
Disposals	-	-	(48)	(48)
At 31st March 2023	1,978	285	679	2,942
Depreciation				
At 1st April 2022	343	103	256	702
Charge for year	18	29	139	186
Disposals	-	-	(48)	(48)
At 31st March 2023	361	132	347	840
Impairment				
At 1st April 2022 and 31st March 2023	857	-	-	857
Net Book Value				
At 31st March 2023	**760**	**153**	**332**	**1,245**
At 31st March 2022	**778**	**177**	**338**	**1,293**

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 2022 and 31st March 2023	**630**
Amortisation	
At 1st April 2022	498
Charge for year	32
At 31st March 2023	**530**
Net book value	
At 31st March 2023	**100**
At 31st March 2022	132

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

	2023 £000	2022 £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

	2023 £000	2022 £000
Due within one year		
Arrears of rent and service charge	**1,041**	989
Less: provision for doubtful debts	**(252)**	(261)
	789	728
Other debtors	**247**	393
Prepayments and accrued income	**1,584**	633
	2,620	1,754
Due after more than one year		
Loan to managed Association (John Pease Cottages)	**101**	105
Employee loans	**65**	49
Mortgage debtors	**94**	94
	260	248
	2,880	2,002

19. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Housing loans (Note 23)	**37**	34
Other taxation and social security	**1**	1
Trade creditors	**305**	259
Other creditors	**296**	485
Accruals and deferred income	**3,395**	3,099
Rents and service charge paid in advance	**201**	249
Deferred income – grant (Note 21)	**944**	944
Pension Growth plan (Note 12)	**2**	2
	5,181	5,073

Loans are secured by Housing Properties, see note 14

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

	2023 £000	2022 £000
Housing loans (Note 23)	**111,241**	101,260
Deferred Income Grant (Note 21)	**79,395**	77,742
Recycled Capital Grant Fund (RCGF) < 3 years (Note 22)	**111**	130
Recycled Capital Grant Fund (RCGF) > 3 years (Note 22)	**-**	40
Pension Growth Plan (Note 12)	**1**	3
	190,748	179,175

Loans are secured by Housing Properties, see note 14

21. Deferred Capital Grant

	2023 £000	2022 £000
Cost at 1st April	**94,722**	94,486
Additions in the year	**2,598**	330
Disposals in the year	**-**	(94)
At 31st March	**97,320**	94,722
Amortisation at 1st April	**16,036**	15,104
Charge in the year	**945**	942
Disposals in the year	**-**	(10)
At 31st March	**16,981**	16,036
Deferred income total at 31st March	**80,339**	78,686

	2023 £000	2022 £000
Amounts falling due within one year	**944**	944
Amounts falling due after more than one year	**79,395**	77,742
	80,339	78,686
Recognised in the Statement of Comprehensive Income	**16,981**	16,036
Held as deferred income	**80,339**	78,686
	97,320	94,722

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

22. Recycled Capital Grant Fund

	2023 £000	2022 £000
Opening balance	**170**	93
Inputs to fund	**-**	-
Grants recycled	-	77
Interest accrued	**1**	-
	171	170
Recycling of grant		
New build	**(60)**	-
Repayment of grant to Homes England	-	-
Closing balance	**111**	170
Amounts 3 years and older where repayment may be required	-	40

23. Housing Loans Analysis

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

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

At 31st March 2023 the Association had undrawn facilities of £25m (*2022: £35m*), consisting of an undrawn revolving credit facility of £25m. The maturity profile of the Association's borrowings is as follows:

	2023 £000	2022 £000
Within one year	**37**	34
Between one and two years	**41**	37
Between two and five years	**154**	139
In five years or more	**111,101**	101,157
Unamortised loan fees	**(55)**	(73)
	111,278	101,294

24. Provisions for Liabilities and Charges

	2023 £000	2022 £000
Opening balance	**125**	134
Income (increase in provision in the year)	**12**	19
Expenditure	**(47)**	(28)
Closing balance	90	125

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

25. Non-Equity Share Capital

	2023 £	2022 £
Shares of £1 each issued and fully paid		
At 1st April	**10**	9
Shares issued during the year	-	4
Shares surrendered during the year	-	(3)
At 31st March	**10**	10

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

26. Capital Commitments

	2023 £000	2022 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**9,341**	4,539
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**10,715**	14,664

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

	2023	2022
Committed Loan Facilities	17,013	15,782
Social Housing Grant	3,043	3,421

27. Operating Lease Commitments

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

	2023 £000	2022 £000
Land & Buildings:		
Less than one year	**253**	209
Between two and five years	**758**	743
More than five years	**298**	376
Others:		
Less than one year	**43**	25
Between two and five years	**40**	48
	1,392	1,401

During the year £263k was recognised as an expense in the Statement of Comprehensive Income in relation to operating leases *(2022: £229k)*.

28. Related Party Transactions

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

	2023 £000	2022 £000
Management expenses recharged to John Pease Cottages	**5**	4
Day to day repairs recharged to John Pease Cottages	**8**	5

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

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

29. Analysis of Changes in Net Debt

	As at 1st April 2022 £000	Cash flows £000	Other non-cash items £000	**At 31st March 2023 £000**
Cash	**5,342**	1,713	-	**7,055**
Bank loans due within one year	**(34)**	34	(37)	**(37)**
Bank loans due after more than one year	**(101,333)**	(10,000)	37	**(111,296)**
Unamortised Fees	**73**	-	(18)	**55**
	(95,952)	(8,253)	(18)	**(104,223)**